VALUATIONS

SAMUEL SKRIMSHIRE, F.S.I.

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VALUATIONS

BY THE SAME AUTHOR

LAND SURVEYING

ITS THEORY AND PRACTICE

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This work is written to accomplish two objects:—

(1) To supply in a handy and accessible form the Knowledge required by Candidates for the Professional Certificates.

(2) To give the necessary information in such an order that the work may form a clear and easy book of reference on the more ordinary rules and practice of surveying and levelling for the busy practical man.

THE "ESTATES GAZETTE," LONDON

VALUATIONS

A TEXT-BOOK ON VALUATION APPLIED TO THE SALE AND PURCHASE OF FREEHOLD, LIFEHOLD, COPYHOLD, AND LEASEHOLD PROPERTY, ASSESSMENTS TO DUTIES UNDER THE FINANCE (1909–10) ACT 1910, THE ENFRANCHISEMENT OF COPYHOLD ESTATE, ASSESSMENTS FOR RATING PURPOSES, COMPENSATION ON COMPULSORY PURCHASE, AND VALUATIONS FOR ADVANCES ON MORTGAGE

BY

SAMUEL SKRIMSHIRE, F.S.I.

AUTHOR OF "LAND SURVEYING: ITS THEORY AND PRACTICE"

WITH NEARLY TWO HUNDRED FULLY WORKED EXAMPLES

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CONTENTS.

PAGE

PREFACE ix

CHAP.

I. THE KNOWLEDGE WHICH THE VALUER SHOULD POSSESS 1

§§ 1–2. General Bearing of Various Branches of Surveying and other Subjects. The Professional Associateship and Fellowship Examinations of the Surveyors' Institution.

II. DEFINITIONS 9

§§ 3–61. Technical Terms Used in Connection with the Subject of Valuation, and Index to Same.

III. INTRODUCTION TO THE USE OF VALUATION TABLES . 20

§ 62. Explanation of the Nature and Use of the Collection of Interest, Compound Interest, Combined Mortality and Interest, and other Tables known as Valuation Tables. Worked Examples.

IV. THE FORMATION OF THE VALUATION TABLES . . 41

§§ 63–80. An Indication of how Valuation Tables may be Formed: (*a*) with the Aid of Two Primary Compound Interest Tables, and (*b*) with the Aid of Logarithmic Tables.

V. VALUATION—GENERAL INTRODUCTION . . 62

§§ 81–118. A General Survey of the Subject of Valuation preparatory to a More Detailed Study in Later Chapters. Numerous Stepping-stone, fully worked Examples, with Critical Examination of Questions and Solutions calculated to bring Home to the Reader the Leading Considerations involved.

VI. FACTORS IN VALUE 92

§§ 119–181. Circumstances and Conditions Relating to Property which Add to or Detract from Value. Average Annual and Capital Deductions. The Rate of Interest an Investment should Return.

CHAP. PAGE

VII. WORKED EXAMPLES OF VALUATIONS . . . 134

§ 182. Valuations of Freehold Ground Rents—Agricultural Land—Accommodation Land—Freehold House Property—Lifeholds—Perpetual Leases—Leaseholds—Property in a Transitory State—Building Estates. Miscellaneous Examples.—Calculation of Sitting Rent—Rent at which Properties must Let to Produce a Given Return on Capital Invested—Premiums—Renewal Premiums—Reduction in Rent to be allowed for Capital Outlay or Premium.

VIII. LAND VALUES AND DUTIES 162

§§ 183–283. The Finance (1909–1910) Act 1910. Provisional and Occasional Valuations. Assessments to Duty. Apportionments. The Several Statutory Values Constituted and the Duties Imposed by the Statute. Fully Worked Examples.

IX. COPYHOLDS 222

§§ 284–364. Copyhold Estate: its Nature and Incidence. Enfranchisement Consideration, Steward's Fees, and Costs. Worked Examples of Assessment of Admission Fines and the Calculation of Enfranchisement Consideration in the Case of Single Tenants, Joint Tenants, Coparceners, and Tenants in Common.

X. HINTS ON EXAMINATION PAPERS . . . 248

§§ 365–412. A Chapter for Students Sitting for Professional Examination, interpreting Expressions Commonly Used in Examination Papers, and indicating the Inferences to be Drawn from Particulars usually Given, together with Useful Advice for Working Answers in the Examination Room.

XI. ASSESSMENTS FOR RATING PURPOSES . . . 265

§§ 413–525. An Outline History of Compulsory Rates. Exemptions from and Additions to the Rateable Hereditament mentioned in the Early Statute. Present Position. When Rates are Payable, and who Pays them. General Test of Rateability. Assessment of Owners in respect to Small Properties. Exemptions—Absolute, Conditional, and Partial.

Procedure in the Preparation, Correction, and Confirmation of Valuation Lists Inside and Outside the Metropolis. Objections and Appeals by Ratepayers. Criterion of Annual Value. Principles of Assessment. Rating of Special Classes of Property. The Recommendations of the London Assessment Conference. Worked Examples.

CHAP. PAGE

XII. Compulsory Purchase and Compensation . . 329

§§ 526–563. The Application of the General Principle of Valuation to the Case of Compulsory Sale and Purchase. Special Considerations involved Affecting the Amount of Compensation. Brief Extracts from the Chief Provisions in Leading Statutes Affecting the Subject of Compensation from the Valuer's Point of View. Worked Examples.

XIII. Valuations for Mortgage 358

§§ 564–573. The Leading Considerations Affecting Valuations Made for the Purpose of Advising a Loan on Mortgage, and the Adaptation of the General Principles of Valuation to the Special Circumstances involved.

Appendix A. Examples of Questions for Self-Education 366

Appendix B. Useful Tables and other Information . 371

Copyhold Enfranchisement.—Minute of Board of Agriculture. Official Scale of Compensation. Scale of Steward's Compensation. Board's Fees. Valuers' Fees 371–388

Rating.—Schedule of Maxmium Deductions under the Valuation (Metropolis) Act 1869. Resolutions of the London Rating Authorities. Scale for the Assessment of Weekly and Monthly Properties. Table for converting a Premium into its Annual Equivalent. Table for converting Half-Premium into its Annual Equivalent. Table for converting Gross Value into Rateable Value. Form of Valuation List 389–407

Land Values Duties.—Statutory Rules and Orders 408–424

Compound Interest Tables, with Formulæ . 425–433

Appendix C. Solutions to the Questions set in Appendix A 434

Appendix D. Scale of Professional Charges of the Surveyors' Institution . . . 444

Index 449

PREFACE.

THE value of a work on a technical subject consists not in the quantity of information which it contains, but in the quality and quantity of the useful information which it succeeds in conveying to the reader, and the speed with which such knowledge is imparted. A book which is too bulky is embarrassing except for occasional reference, an empty one is useless.

It may well be that a book which contains nothing which is unknown to the reader may nevertheless be of great value to him, if the information which it does contain is given in a suitable form, is sufficiently ample without being too elaborate, and is arranged so that reference to it may speedily be made.

For this class of reader what is wanted is the maximum of what may be called real grit in the fewest words and most lucid form possible. He looks into books to refresh his mind on moot points, and unless the books supply solutions of those points readily and decisively, they are useless to him.

To the student the book is useful in a different sense. He requires a book which supplies the knowledge which it is essential he should acquire, and which supplies it in the order and in the form which will enable him to make the most rapid progress with his studies. He is, it may be assumed, without knowledge of the subject, and does not know what there is to learn about it. When he has read he is still in but a poor position to judge to what extent the knowledge gained exhausts the subject. It is difficult to say when a subject has been exhausted, but it is certainly

not until considerable advance has been made with it that the student has any clear idea even as to what there is to learn.

In this work an attempt has been made to give the maximum of useful matter in the minimum of space, in a form and arranged on a plan which should make it useful to the young practitioner and the student alike.

All academic debate and literary ornament have been avoided, and even interesting statistics have been omitted, the object aimed at being a clear statement of facts, principles, and rules. Only where it seemed absolutely necessary to call attention to important considerations involved has this course been departed from.

To make the work generally useful, it has been quite necessary to give a great number of practical illustrations and examples of the application of the principles and rules expounded, and to each example, where it seemed necessary, have been added full notes by way of critical examination of the questions raised and answers given, as well as the reason for the steps suggested in arriving at the solutions.

With the object of increasing the value of the work to students, a number of examples have been given in Appendix A, the solutions to which will be found in Appendix C. These should be of service for self-instruction: the solutions being found in a part of the book different from that in which the questions are set, the student may, in the first instance, work out answers, and subsequently compare his work with the solutions, and correct himself by them.

It is perhaps too much to hope that in a work containing so many worked examples, no error has found a place; but with the careful examination to which the proofs have been subjected, it is hoped that the book will prove of real value to the student of Valuation, and that it may also serve as a useful handbook on the subject.

SAMUEL SKRIMSHIRE.

January 1915.

VALUATIONS.

CHAPTER I.

THE KNOWLEDGE WHICH THE VALUER SHOULD POSSESS.

1. General Bearing of Various Branches of Surveying and other Subjects. Branches of Knowledge necessary to the Valuer. Land Tenures. Law of Landlord and Tenant. Building Construction and the Measurement and Pricing of Builders' Work. Law of Dilapidations. Sanitary Science and Sanitary Laws and Byelaws. Law of Easements, particularly Light and Air. Rights and Liabilities of Building and Adjoining Owners. Land Surveying and Levelling. Road Making. Development of Building Estates. Water Supply. Lighting and Heating. Measurement and Valuation of Standing Timber. Law of Fixtures. Law of Compensation. Lands Clauses Acts and many other Statutes. Position of Mortgagor and Mortgagee. Law of Rating. Finance (1909–10) Act 1910. 2. Subjects required for the Professional Associateship and Fellowship. Examinations of the Surveyors' Institution.

1. There is probably no subject within the pale of the surveyor's profession which calls for more complete simultaneous exercise of the various branches of his knowledge than the Valuation of lands and interests therein. It is not suggested, of course, that in each separate valuation the whole of the subjects with which he should be familiar have a direct bearing; but, taking Valuation in all its branches, and under the illimitable circumstances met with in practice, the statement is true. A few illustrations will serve to convince the most sceptical of the truth of the assertion.

Suppose you are engaged on the valuation of any class of property, the very first point on which you will need to have information will be the tenure—whether freehold (fee simple), lifehold, copyhold, or leasehold.

If the property is held in fee simple you will want to know whether it is subject to any charges, etc. If it is life-hold property, you will inquire whether held for one or more lives, the age or ages, whether held for the longer of the two or more lives, or whether only held during the joint continuance of the lives, whether the interest of the parties is or is not a contingent interest, and the like. If it is copyhold you will ask, Is it copyhold of inheritance, copyhold for life or lives, or copyhold for years, and is there the right of renewal? What are the customs of the manor? Is the property held by one or more tenants; if more than one, do they hold as tenants in common, as joint tenants, or as coparceners? and so forth, and so on. You will need to go into the question of admission fines, and probably the whole question of the cost of enfranchising. Supposing a case of leaseholds, the inquiry will be whether it is a head lease, an underlease, or a derivative lease, the term, the ground rent, etc.

Whatever may be the tenure of the estate to be valued, the terms on which the property is leased, subleased, or let, and the position of the parties, will be a matter of great importance, and it is only those who understand the Law of Landlord and Tenant who can fully appreciate the position.

There is no purpose in exhausting the points involved; the object in view is simply to show how important a knowledge of Tenures and the Law of Landlord and Tenant is, and how without it we should be barred at the very outset.

For further example, suppose you are engaged in valuing a block of property consisting of land with buildings thereon, and there is nothing to complicate matters beyond the one simple fact that the property is in a very dilapidated state. To value that property you must be in a position correctly to estimate the cost of doing the work necessary to put the property in a proper state of repair. To do this satisfactorily you must have a knowledge of builders' work, and be able to estimate the cost thereof. True, you may get

a builder to give an estimate; but valuers who need to rely on outside assistance are not properly equipped for their work.

But if the property being valued is leased or underleased a further question will have to be decided, viz., to what extent the lessee or underlessee is liable, and what proportion of the necessary outlay will fall upon the party whose interest you are valuing. To do this you must possess a practical knowledge of the Law of Dilapidations or the Law of Repair.

But as well as the question of general repair necessary there may be doubt as to the sanitary condition and the expense which may possibly be incurred by a purchaser in remodelling or renewing it. To be able to deal satisfactorily with such questions the valuer should know what is required by modern Sanitary Science and the existing laws and bye-laws, and should be able to judge as to the efficiency or otherwise of the existing system. He should likewise be able to formulate a scheme of redrainage if necessary, and to estimate the cost which would be involved. In fact, he should be a good sanitary surveyor, or he is not a fully equipped valuer.

Suppose, as well as the foregoing points being involved, the property, although sound structurally, is nearing the point of time when it will cease to let for its present purpose, but that it would be a good investment at a fair price for one who would convert it into, say, shop property, or self-contained maisonettes, or fit it for other purposes. Here, as well as a more extensive knowledge of building and estimating necessary to enable you to plan and estimate the proposed alterations and additions, a knowledge of the Building Laws bearing on questions involved may be essential, not only those relating to questions of construction, but also those having reference to building line, limitation of heights of buildings, air space, fire-proof construction, fire escape, and so on. The valuer should then be well versed in planning, construction, estimating, and the building laws and

byelaws; and so far as he is not well qualified in these branches his equipment as a valuer is faulty.

Once again, if questions of alterations and additions to buildings are involved, and especially if the addition of storeys is contemplated, the rights of adjoining owners in light and air, and in regard to other easements, may be involved, and there may be considerable limitations to what may be done in the way of heightening the buildings, or at any rate considerable expense involved in the payment of compensation for the privilege of being allowed to go up, which naturally reduces the value of the property as it stands. Here, then, we find a practical knowledge of the Law of Light and Air, a branch of the Law of Easements, and an ability to measure compensation which may have to be paid, essential to the valuer, unless he is to consult others on these important points and rely on their judgment rather than on his own.

The case of old property furnishes an instance in which a knowledge of the Rights and Liabilities of Building and Adjoining Owners is of great importance to the surveyor and valuer, as considerable risk is often taken in buying very old property, especially old property in districts in which building operations and developments are taking place. It may be only necessary for an owner to decide on rebuilding, to involve the adjoining owner in at least paying a moiety of the cost of rebuilding party walls, and this is usually accompanied by loss of rent and considerable outlay in rebuilding other parts, and on reinstating internal finishings and so forth.

We may take another case as illustrating the connection between Valuation and the various branches of the surveyor's profession. Suppose the property to be valued is a Building Estate. True, it may be that the price per acre at which similar land is selling is known, and the valuer from his

experience of the locality may be able to put a just value on the property ; but in such cases he is really rather dispensing a value which the market has put on the property than working out a result of his own, and is running considerable risk in blindly accepting it, for it is common knowledge with valuers that properties often do sell at prices in excess of anything that can be properly called value.

But the value of an estate, whatever be its nature, must be supportable by facts, and must depend upon the probable financial result of dealings with it, considered in conjunction with the period which will be involved in its development, the outlay, including interest on capital, which will be incurred, and other considerations. In short, its value depends upon its financial capabilities, which can be gauged only by those able to evolve a development scheme. Now, to form any measured judgment on this point you must be able correctly to ascertain the acreage of the estate and to prepare a plan of it, and on that plan to devise a scheme of development, to show the roads to be made, the sites which will be obtained, their frontages and depths and other information upon which an estimate of income and expenditure may be founded, and from which, in turn, a correct assessment of capital value may be based.

It may be that the ordnance map will furnish sufficiently accurate information for preliminary purposes, and an enlargement from the ordnance survey may be sufficient in the first instance ; but, even so, this only dispenses with an actual survey, and the work otherwise involved is unaffected. To formulate this scheme satisfactorily you need to be acquainted, on main lines at any rate, with the Development of Building Estates, a subject which, like Valuation, includes within its scope a host of subjects.

Still another example may serve to emphasise the fact that the aspirant to the valuer's profession should extend his knowledge to all allied subjects. Suppose the property to be valued is an old country mansion, and the sanitary arrange-

ments, the water supply, the heating and the lighting are unsatisfactory. Clearly before you can form a just valuation, you must carefully weigh these considerations and take into account the expenditure which will be involved in doing any necessary work under these heads. To do this the valuer must have a practical knowledge of sanitation, water supply, lighting and heating, sufficient to enable him to appreciate their importance and estimate the cost of their provision.

As an illustration of a further incident calling for the exercise of still another branch of knowledge, the reader may be reminded that in the case of landed estates it often happens that there is standing timber on the estate which has to be taken "at a valuation," apart from the price to be paid for the land, and in such cases a knowledge of the method of measuring and valuing timber is indispensable.

Similarly, it may be that there are fixtures and fittings on the property which would not ordinarily be included in the sale of the land and buildings, and which have to be taken by the purchaser "at a valuation." In such circumstances the valuer must be in a position to differentiate between those things which are included in the value of the land and those which must be paid for separately. He must also be able to lay down the basis of value applicable to the case. This implies that he must have a practical knowledge of the Law of Fixtures.

The list is by no means exhausted. Assessment for compensation for land compulsorily acquired for public and semi-public undertakings is governed by the provisions of private and a number of public statutes, notably the Metropolitan Pavement Act, the Public Health Acts, the Metropolis Management Act, the Lands Clauses Consolidated Act, the Housing of the Working Classes Act, the Housing, Town Planning, etc., Act, the London County Council General Powers Acts, etc., and in each case a knowledge

of the provisions of the particular statute involved is essential to the proper treatment of the case.

The purpose for which a valuation is required, too, may render a general knowledge of the relationship of the parties concerned an essential consideration to the valuer. For example, a valuation for mortgage can hardly be dealt with satisfactorily by one who has not a clear general idea of the relationship of mortgagor and mortgagee, or one who does not appreciate the vicissitudes of the case. Assessment to annual value for rating purposes, except perhaps in the most simple circumstances, can scarcely be made satisfactorily by one who does not know a good deal of the Law of Rating, and the correct application of the principles of Valuation to this particular branch of our work.

Enough has been said to serve the present purpose, viz. to point out the connection between the various branches of surveying and valuing; but, if additional illustrations were required, cases coming under the Finance (1909–10) Act 1910 might be mentioned, which necessitate at least a close acquaintance with the numerous values set up, and the provisions of that statute.

The aspirant to the valuer's profession should not lose sight of the fact that the surveyor who values usually reports on and has other dealings with the property, and that therefore indirectly as well as directly the surveyor's knowledge in all its branches is of the utmost importance to him. In short, valuation may be said to be one branch of the surveyor's profession the exercise of which brings into play most of the other branches.

2. The wisdom of the council of the Surveyors' Institution in framing the Tables of Subjects in which their members must pass examinations is obvious to anyone who studies those tables, for in them we find included the subjects which

are essential to the surveyor specialising in one or other of the several divisions.

Sub-division II., known as the Valuers' Sub-division, is the one to which reference is here chiefly made. In the table applicable to that sub-division, we find included for the class of Professional Associates, Surveying and Levelling, Book-keeping, Law of Landlord and Tenant, Mensuration, Law of Fixtures, Law of Dilapidations, Law of Easements and Riparian Rights, APPLICATION AND USE OF VALUATION TABLES (Lower), Copyholds (Lower), Drainage and Sanitation; whilst for the class of Fellows in the same sub-division the list includes Timber Measuring and Valuing, Local Taxation, Imperial Taxation, PRINCIPLES AND PRACTICE OF VALUATION (Higher), Law of Arbitrations, Enfranchisement of Copyholds (Higher), Acts for Compulsory Purchase of Property, Law of Vendors and Purchasers, Drainage and Sanitation (Higher), Report Writing, Development of Building Estates, London Building Acts, and Road Making. The subject of Valuation is the typical subject in the sub-division, *i.e.* the subject in which the student must obtain pass marks, as well as obtain pass marks in the other subjects treated as a whole.

Without adding to this already heavy list of subjects it would be difficult indeed to suggest improvement. Certainly the valuer cannot afford to dispense with any of those subjects which are included: indeed, we have seen that a knowledge of several additional subjects is very desirable.

CHAPTER II.

DEFINITIONS.

3. Index to Definitions. 4. Valuation Tables. 5. Inwood's Tables. 6. Years' Purchase. 7. Fine. 8. Interest on Investment. 9. Interest on Reinvestment. 10. Premium and Renewal Premium. 11. Sinking Fund. 12. Fee Simple. 13. Tenancy for Life. 14. Lease for Life. 15. Leasehold. 16. Underlease. 17. Derivative Lease. 18. Joint Tenants. 19. Tenants in Common. 20. Coparceners. 21. Reversionary Estate in Fee. 22. Reversionary Estate. 23. Agricultural Land. 24. Building Land. 25. Accommodation Land. 26. Fee Farm Rent. 27. Gross Rent. 28. Ground Rent. 29. Head Rent. 30. Improved Rents. 31. Nominal Rent. 31A. Peppercorn Rent. 32. Rack Rent. 33. Rent Charge. 34. Rent Service. 35. Rent Sec. 36. Reserved Rent. 37. Sitting Rent. 38. Net Annual Value. 39. Net Annual Income. 40. Gross Value. 41. Rateable Value. 42. Gross Estimated Rental and Net Annual Value. 43. Net Annual Value. 44. Prospective Value. 45. Copyhold Property. 46. Fine Arbitrary. 47. Fine Certain. 48. Heriot. 49. Quit Rent. 50. Reliefs. 51. Improved Annual Value. 52. Fineable Annual Value. 53. Forfeiture. 53A. Increment Value Duty, Reversion Duty, Undeveloped Land Duty, Mineral Rights Duty. 54. Escheat. 55. Mortgage. 56. Mortgagor. 57. Mortgagee. 58. Mortgage Deed. 59. Legal Mortgage. 60. Equitable Mortgage. 61. Equity of Redemption.

3. In order that what follows may be easily and perfectly understood it is quite necessary that certain terms which must be made use of should be clearly defined.

Those definitions which have reference to the Valuation Tables will be the more readily grasped if it is remembered that the object of Investment is two-fold, viz. :—

(*a*) to secure interest on capital invested, and

(*b*) to provide security for that capital.

From this definition of Investment it will be gathered that when capital is invested in an estate or interest in land which is limited in point of duration, some suitable sum must be put by, either at once or in annual instalments, which, accumulating at compound interest, will amount to a sum equal to the capital invested by the date at which

such terminable estate comes to an end. If this were not provided for, the security for capital would be reduced as time went on, for the property would become less valuable as the interest became shorter, and ultimately it would be gone altogether.

It will also assist the reader in following the definitions referred to if it is noted that in Valuation Tables the replacement of capital is provided for on the basis of its being met by annual payments out of the income received from the property purchased into what is known as a sinking fund.

It follows from the foregoing considerations that there must be a net average annual income arising from the property in which the capital is invested sufficient

(*a*) to pay the annual interest on investment, and

(*b*) to provide the annual contribution to the sinking fund necessary to provide for replacing the capital sum.

The latter (*b*) applies only to cases in which the estate or interest in which the investment is made is a terminable one.

Investment and its object, and the Valuation Tables and their basis, construction, office, and use, will be found fully dealt with in subsequent chapters. The foregoing is thought to be sufficient to assist in a ready understanding of the particular definitions referred to (Chapters III., IV., V.).

It is not convenient to arrange the definitions alphabetically, and the following index to them is therefore given.

INDEX TO DEFINITIONS.

	No. of Sec.		No. of Sec.		No. of Sec.
Accommodation land	25	Forfeiture	53	Lease for life	14
Agricultural ,,	23	Gross estimated rental	42	Leasehold	15
Building ,,	24	Gross rent	27	Legal mortgage	59
Coparceners	20	Gross value	40	Mineral rights duty	53A
Copyhold property	45	Ground rent	28	Mortgage	55
Derivative lease	17	Head rent	29	Mortgage deed	58
Equitable mortgage	60	Heriot	48	Mortgagee	57
Equity of redemption	61	Improved annual value	51	Mortgagor	56
Escheat	54	Improved rents	30	Net annual income	39
Fee farm rent	26	Increment value duty	53A	Net annual value	38, 42, 43
Fee simple	12	Interest on investment	8	Nominal rent	31
Fine	7	Interest on reinvestment	9	Peppercorn rent	31A
Fine arbitrary	46	Inwood's tables	5	Premium and renewal premium	10
Fine certain	47	Joint tenants	18	Prospective value	44
Fineable annual value	52				

	No. of Sec.		No. of Sec.		No. of Sec.
Quit rent	49	Rent service	34	Tenancy for life	13
Rack rent	32	Reserved rent	36	Tenants in common	19
Rateable value	41	Reversion duty	53A	Undeveloped land duty	53A
Reliefs	50	Reversionary estate	22	Underlease	16
Renewal premium	10	Reversionary estate in fee	21	Valuation tables	4
Rent charge	33	Sinking fund	11	Years' purchase	6
Rent sec	35				

4. **Valuation Tables.** — A collection of ascertained numbers showing the number of years' purchase of a net annual income arising from a property, which may be given for that property, in order that the purchaser may receive an agreed rate of interest for his money, and the return of his capital within the period during which the property or his estate in it will endure (Chapter III.).

5. **Inwood's Tables.**—A collection of Valuation or Compound Interest Tables. Some of the tables apply to cases where the estate or interest is of CERTAIN DURATION, as perpetuity or a term of years; others to cases where the duration of the estate is UNCERTAIN, as, for instance, where the property is held for a life or lives, in which case the probable duration of lives of given ages according to medical statistics obtained from observations in various parts of the country is taken into account.

Other tables give the number of years' purchase which may be given for a reversionary estate in fee, *i.e.* a perpetuity after a term of years certain, or perpetuity after a period uncertain, as a life or lives.

There are likewise included in the collection a large number of other useful tables, but as everyone engaged in valuation will necessarily provide himself with a copy, the book may be left further to describe itself. (For full explanations of the nature, use, and formation of the tables see Chapters III., IV., V., VII.)

6. **Years' Purchase.**—The number of times the net annual income may be taken to represent the capital value of that income, having regard to the length of the period for which it will endure, the rate of interest required on the

investment, and, in cases in which a sinking fund is involved, the rate of interest which can be obtained on reinvestment (§ 73).

7. **Fine.**—A sum of money to be paid at stated intervals (§§ 155 (5), 406), or on the happening of some event (§§ 296, 297, 299, 300). See also *Fine Arbitrary*, *Fine Certain*, *Heriot.*

8. **Interest on Investment.**—The interest which the purchaser of a property requires for his money; it will vary according to the class of property, etc. (§ 83 (*b*)).

9. **Interest on Reinvestment.**—The interest at which a sinking fund can be accumulated; the rate of interest which can be obtained on the annual payments set aside or invested to provide for the return of capital (§ 90).

10. **Premium and Renewal Premium.**—A sum of money paid, usually on taking or renewing a lease, and representing the price to be paid for the commutation of a part of the annual rent. Thus A takes a twenty-one years' lease of property of the net annual value of £500 and pays a rent of £400 per annum, and a "premium" representing the value of £100 per annum for twenty-one years, calculated on the basis of some agreed rate of interest (Worked Examples 44, 46, Chapter VII.).

Renewal Premium.—A premium paid by a lessee to a lessor for renewing his lease, or restoring it to its original term, when part of the original term has expired (Worked Examples 47, 48, Chapter VII.).

11. **Sinking Fund.**—A fund formed with the object of providing for replacing capital invested in terminable estate. The annual amount which must be put by or invested at some given rate of interest to provide for replacing capital at the expiration of some terminable estate may be defined as the annual contribution to the Sinking Fund. Thus A invests £500 in leasehold property with forty years unexpired. The contribution to the Sinking Fund would represent the sum which, being put by or invested each year at some given rate of interest, would

amount, with its accumulated compound interest, to £500 in forty years' time (§§ 74, 75).

12. **Fee Simple.**—The highest tenancy known to the Law of England. The ownership and disposition of the property is absolutely uncontrolled. The property is held in perpetuity (§§ 124, 125, 126).

13. **Tenancy for Life.**—A freehold tenancy which is held for a life or lives, and is subject to the laws relating to settled estate and the terms of the grant (§§ 147–153).

14. **Lease for Life.**—A lease granted to endure during the continuance of a life or lives. A chattel interest in real estate held subject to the covenants of the lease conveying it (§ 155 (3)).

15. **Leasehold.**—A property held on lease for some definite period subject to covenants and stipulations (§ 155 (3–6)).

16. **Underlease.**—A lease which has been granted by one who has only a leasehold interest in the property involved (§§ 155 (1), 157).

17. **Derivative Lease.**—The subject of an estate or interest involved in an underlease which demises only part of the property demised by the head lease or superior sublease (§ 158).

18. **Joint Tenants.**—Partners of a kind with benefit of survivorship having a joint title to the whole of the land in one right (§ 285).

19. **Tenants in Common.**—Owners who have each a portion of the land, several though undivided, and claim by separate titles or in separate rights (§ 286).

20. **Coparceners.**—Owners who claim by one title, but have no benefit of survivorship (§ 287).

21. **Reversionary Estate in Fee.**—The fee simple estate subject to a lease or life tenancy.

22. **Reversionary Estate.**—The Reversionary Estate as distinct from the Estate in Interest.

23. **Agricultural Land.**—Land used as a farm or for agricultural purposes. Small pieces of land used as allot-

ments, or for the growth of market garden produce, should not be regarded as agricultural land for valuation purposes.

24. **Building Land.**—Land ripe for building purposes.

25. **Accommodation Land.**—Land situate in or near a town or village, which, having ceased to be agricultural land, has not yet become ripe building land. It is generally used for accommodation purposes—such as for grazing land for cattle, a cricket field, or the like, and is usually let at a nominal rent during this period.

26. **Fee Farm Rent.**—A rent reserved in fee or in perpetuity.

27. **Gross Rent.**—The rent actually received from a property before deducting outgoings.

28. **Ground Rent.**—The rent reserved by the Ground or Head Lease. The building agreement usually provides that the person taking the land shall erect buildings of certain value, and as these buildings are completed, the leases are granted reserving the Ground Rent. The buildings usually have to be of such a class that their annual value will represent from five to ten times the Ground Rent, so that the latter may be particularly well secured. In city properties the Ground Rent often approaches the Rack Rent much more nearly, and may be, say, only three times secured. The same is true of the Ground Rent on the poorer class suburban property, which is frequently found to be from three to four times secured; that is to say, the net rental arising from the property is not more than three or four times the Ground Rent.

29. **Head Rent.**—A rent reserved in a Head Lease.

30. **Improved Rents.**—(Sometimes erroneously described as Leasehold Ground Rents and Improved Ground Rents.) A rent reserved in an underlease; it exceeds that reserved by the head lease.

Improved rents generally arise thus:—The freeholder lets a quantity of land subject to a certain ground rent and stipulates for buildings of certain value to be erected thereon. The buildings are accordingly erected and subleasehold

interests in them, usually shorter than the term granted by the head lease by a few days only, and subject to a rent in excess of the ground rent, are sold. Thus an improved or increased rent is created, the improvement being represented by the difference in amount between the rent reserved in the head lease and that reserved by the sublease.

Strictly there can be only one ground rent, and therefore the description "Improved Rent," is more accurate than "Improved Ground Rent," a term which is, however, very commonly used.

31. **Nominal Rent.**—A rent which suffices to express the relationship of landlord and tenant, but gives no measure of value.

31A. **Peppercorn Rent.**—A nominal rent, reserved usually in a building agreement.

32. **Rack Rent.**—The full rent—the best rent at which the property can be let.

It will be observed that property may be said to be let at a rack rent whether let on yearly or other tenancy, so that in one case the "Rack Rent" and "Net Income" may be practically identical, whilst in another considerable deductions may have to be made from the "Rack Rent" to arrive at the "Net Annual Income" (Appendices A and C, *Q.* and *A.* 20).

33. **Rent Charge.**—A rent for the payment of which the land is charged with a distress.

34. **Rent Service.**—A rent reserved in lieu of services; every rent reserved in a lease is a Rent Service.

35. **Rent Sec.**—A rent reserved without any clause of distress, but which now, in common with all rents, is distrainable.

36. **Reserved Rent.**—The rent reserved in a lease or other deed or agreement. The rent which a tenant has agreed to pay.

37. **Sitting Rent.**—The "Reserved Rent" plus the annual equivalent of a premium paid, the value of an estate or interest surrendered, or money expended or

agreed to be expended by the lessee or tenant on the property in improvements or in putting dilapidated property in repair (Worked Example 39, Chapter VII.).

38. **Net Annual Value.**—A term somewhat irregularly used, but usually meaning the rent at which the property would let on stringent lease without premium, and not the net income, which would, in most cases, be found by deducting an allowance for contingencies, and, in the case of leaseholds, the ground rent. This would seem obvious, because, such being its interpretation, the term can be applied uniformly to freeholds and leaseholds.

There is no doubt, however, that it is sometimes used to denote the "net income." The intention should be made clear.

Also a term used in the Union Assessment Committee Acts. (See § 43, and also Chapter XI., Assessments for Rating, § 440.)

39. **Net Annual Income.**—The average actual amount which annually finds its way into the exchequer of the person who owns the property from which the income is derived. It is the rent received from the property after deducting all outgoings.

40. **Gross Value.**—A term used in the Valuation (Metropolis) Act 1869; the annual rent which a tenant might reasonably be expected to pay, taking one year with another, for a hereditament, if the tenant undertook to pay all usual tenants' rates and taxes and tithe commutation rent charge, if any, and if the landlord undertook to bear the cost of repairs, insurance, and other expenses, if any, necessary to maintain the hereditament in a state to command that rent. (See § 450, Chapter XI., Assessments for Rating.)

See also Finance Act Definitions:

Gross Value	. .	Chapter VIII.	§ 216
Total Value	. .	,,	,, 217
Full Site Value	. .	,,	,, 220
Assessable Site Value	.	,,	,, 222

41. **Rateable Value.**—A term used in the Valuation (Metropolis) Act 1869; it means the gross value after deducting therefrom the probable average annual cost of repairs, insurance, and other expenses as aforesaid (§ 450).

42. **Gross Estimated Rental and Net Annual Value.**—Terms used in the Statutes 6 and 7 William IV., c. 96, s. I.; 25 and 26 Victoria, c. 103, s. 15, relating to rating outside the metropolis, and meaning practically the same as "Gross Value" and "Rateable Value" as used in the Valuation (Metropolis) Act 1869 (§ 440).

43. **Net Annual Value.**—See § 440 for definition of the term as used in regard to assessment for rating purposes.

The expression may also be used to denote the rent at which premises are estimated to let (or at which they do in fact let) on full repairing lease. (See also § 38.) This term should not be confused with Net Average Annual Income (§ 39).

44. **Prospective Value.**—That part of the present value of a property which is attributable to future possibilities of development, or increased value (Chapter VI. § 171).

45. **Copyhold Property.**—Property parcel of a manor held of the lord of the manor by copy of court roll. It is said to be held "at the will of the lord," which now means that it is held according to the customs of the manor in which it is situate. It is a peculiar class of property usually liable to payment of Fines Arbitrary and Certain, Quit Rent, Reliefs and Heriots, it cannot be alienated by Common Law deed (as is usual in the case of other property), and would in the event of death of the copyholders without heirs revert to the lord of the manor instead of to the crown. Copyhold property which is copyhold of inheritance or copyhold for life or lives or years with a right of renewal may (with some very few exceptions) be compulsorily enfranchised under the Copyhold Act 1894, and be thus converted into freehold. (See Chapter IX.)

46. **Fine Arbitrary.**—A fine based on the fineable annual value of copyhold property and payable usually on

the death of or alienation by the copyholder. The occasions on which it is payable and the number of years fineable annual value taken as representing the fine, vary with the customs of the manor (§§ 296, 297).

47. **Fine Certain.**—A fine which is either fixed in amount or fixed according to some standard, payable in the case of copyhold property on the happening of certain events, such as death of or alienation by the tenant, etc. (§ 299).

48. **Heriot.**—Originally, and in some cases still, the best beast, etc., on the copyhold property, seizable on the occurrence of certain events, such as death of and alienation by a tenant of copyhold property, the death of the lord, the marriage of the lord's son, and so on. In most cases the heriot has now been agreed at a stated sum of money.

The exact circumstances in which the heriot becomes payable can only be defined with a full knowledge of the customs of the manor, general and special, applicable to the particular case under consideration (§ 300).

49. **Quit Rent.**—A small rent in copyhold property payable annually, by which the copyholder is quit of or free from liability to perform other services. It is a rent substituted for services (§ 302).

50. **Reliefs.**—Small payments to be made by the copyholder to the lord of the manor in the case of copyhold properties (§ 301).

51. **Improved Annual Value.**—The annual value at the time or for the time being—the full annual value taking into account the improvement which may have taken place.

52. **Fineable Annual Value.**—The annual value upon which the fine arbitrary in copyhold property is based. It is the improved annual value after deducting an allowance for repairs, quit rent, and tithe, when any, paid by the copyholder, but not Land Tax (§ 312 (1)).

53. **Forfeiture.** — A term applied to the case where property or any estate is forfeited to the superior lord by reason of some non-performance or non-observance of the

covenants, or stipulations, or, in the case of copyhold estate, the customs, general and special, under which it is held (§ 309).

53A. **Increment Value Duty.** See Chapter VIII. § 185
Reversion Duty ,, ,, 197
Undeveloped Land Duty ,, ,, 199
Mineral Rights Duty ,, ,, 203

54. **Escheat.**—The reverting of a property back to the superior lord when a copyholder dies having no one to succeed him in the copyhold estate (§ 307).

55. **Mortgage.**—The giving of any estate or interest in land as security for the repayment of a loan. The transfer may be by conveyance, assignment, or lease. (See Chapter XIII.)

56. **Mortgagor.** — One who borrows money on the security of any estate in land.

57. **Mortgagee.**—One who lends money on the security of any estate in land.

58. **Mortgage Deed.**—The deed by which the mortgagor transfers the whole or part of his estate in land to the mortgagee on condition that he (the mortgagee) shall reconvey it on the repayment of the capital sum borrowed, and interest thereon.

59. **Legal Mortgage.**—A mortgage in which there is an actual transfer of an estate in the land forming the security.

60. **Equitable Mortgage.**—A mortgage in which there is merely a deposit of deeds. There may be a writing, but there is no actual conveyance of the property.

61. **Equity of Redemption.**—The equitable right to redeem the mortgage security after the legal right has been forfeited.

CHAPTER III.

INTRODUCTION TO THE USE OF THE VALUATION TABLES.

62. Valuation Tables. The Old Form of Tables. The New Arrangement of the Tables. The Amount of £1. The Present Value of £1. The Amount of £1 per annum. The Present Value of £1 per annum (Years' Purchase). The Present Value of £1 per annum for a Given Period after a Given Period. Valuation Tables do not Value. Examples of Application of Tables and Stepping-Stone Valuations. The Perpetuity Table. The Reversion to a Perpetuity Table. The Present Value of a Reversionary Interest in a Freehold Property. Perpetual Fines Table. Renewal of Leases Table. Sinking Fund Table. Investments in which the Sinking Fund cannot be Accumulated at the same Rate of Interest as that Required on Investment: Special Table. Investment and Reinvestment at Varying Rates. Mortality Tables. Investment and Speculation. Single Life Interest and Life Reversion Tables. Single Payment Tables. Life Interest and Life Reversion Tables, two or more Lives. Caution on use of Tables.

62. **Valuation Tables.**—The valuation tables referred to in this chapter and used in all the solutions throughout the book are Inwood's Tables (29th edition, revised and extended by William Schooling, F.R.A.S.).* The present object is to acquaint the reader with these tables, which he will need to consult constantly.

In a future chapter it will be shown how very simply most of the tables may be formed if we are in possession of two of the primary compound interest tables (§§ 63–75), and finally the method of forming the tables without such assistance will be indicated (§§ 76–80).

The student is advised to have his valuation tables opened at the page under consideration when following the references and examples here given, as it is, of course, of great importance to be intimately acquainted with the book which is in such frequent demand by all those engaged in valuation work.

* Crosby Lockwood (London), 1910.

Worked examples will be given showing the application of the tables, and each set will be concluded with a question and solution of such a nature as to serve as a stepping stone, so to speak, between the mere use of the tables and valuation (§§ 77–92).

The Old Form of Tables.—The first group of tables which the book contains precedes the introduction, and the pages are numbered in Roman numerals from xx to xl. These tables are repeated among others and in rather different form in subsequent tables.

One of the objects in including these tables was presumably to preserve Inwood's original form, and to give the fractional quantities in vulgar fractions as well as decimal fractions for the benefit of those who prefer them.

The first table on pages xx to xxxi has the special advantage that it has been calculated for every half year up to 50 years, and for every year from 50 up to 100 years, whereas the newer table does not give the half years.

The table on pages xxii to xxxix is also more extensive than the newer table, being calculated up to 100 years instead of only up to 50 years, but the latter is in most cases all that is required.

The table on page xl is calculated at 15 per cent. ; and this is useful, as the tables in the newer form are only calculated up to 10 per cent., which, however, is high enough for almost every requirement.

These tables are all used in precisely the same manner as the tables which follow, and as those are in a more convenient form, our references will be to them, unless otherwise stated. No further comment on the tables which precede the Introduction need be made here.

The New Arrangement of the Tables.—The tables to which we now pass are those contained on pages 50 to 84.

It must be noticed at the outset that these pages contain four distinct tables, each calculated from 1 per cent. to

10 per cent., every ¼ per cent. and ½ per cent. being given up to 3 per cent., and every ½ per cent. from 3 per cent. to 5 per cent., the periods involved extending from 1 to 100 years.

The Amount of £1.—The first column gives the amount of £1, that is, the sum to which £1 will amount if put out at compound interest for a given period at a given rate of interest (§ 77).

The Present Value of £1.—The second column gives the present value of £1, that is, the sum which must be put out and allowed to accumulate for a given period at a given rate of interest to produce £1 within that period, or, in other words, what may be given in present money for £1 which will not be received for a given period, the calculation being on the basis of the purchaser of that £1 receiving a given rate of interest for his money (§§ 65 and 78).

The Amount of £1 *per annum.*—The third column gives the amount of £1 per annum, that is, the sum which will accumulate in any given period if £1 is put away every year and allowed to accumulate at a given rate of compound interest (§ 79).

The Present Value of £1 *per annum* (*Years' Purchase*).—The fourth column gives the present value of £1 per annum, or the sum which may be given in present money for £1 to be received every year for a given period, calculated on the basis of the £1 per annum income being sufficient to pay the purchaser a given rate of interest, and also to provide a sinking fund to be formed by annual payments to accumulate at the same rate of interest as that provided on investment (§§ 67 and 80).

The Present Value of £1 *per annum for a Given Period after a Given Period.*—There is no table directly giving the present value of £1 per annum to be enjoyed for a definite period after a given definite period, as such a table would be far too bulky. But the years' purchase for any such

deferred interest, say 20 years after 30 years, can easily be obtained by subtracting the years' purchase for 30 years from the years' purchase for 50 years, the same rate of interest being adopted throughout. It is of vital importance that the exact nature of these tables should be perfectly understood, and their application appreciated.

Valuation Tables do not Value.—It must not be supposed, however, that valuation tables make valuations; they simply supply ready calculated results in simple and compound interest, and in some cases a combination of simple and compound interest, which, if properly applied as multiplier or divisor to correctly ascertained numbers, produce certain desired results.

An idea of the application of the tables can best be given through the medium of the following examples, the last of which in each set will be framed more particularly in the form of a valuation question.

INWOOD'S TABLES, PAGES 50 TO 85.

The Amount of £1 (First Column).

(*a*) The amount of £1 in 65 years at $2\frac{3}{4}$ per cent. . . . . = £5·832

The amount of £250 in 65 years at $2\frac{3}{4}$ per cent. . . . . = £5·832 × 250

= £1458 0 0

(*b*) The amount of £1 in 51 years at $3\frac{1}{2}$ per cent. . . . . = £5·78

The amount of £268 in 51 years at $3\frac{1}{2}$ per cent. . . . . = £5·78 × 268

= £1549 0 0

(*c*) The amount of £1 in 25 years at 5 per cent. . . . . = £3·386

The amount of £315 in 25 years at 5 per cent. . . . . = £3·386 × 315

= £1066 11 10

We now need one example which shows the application of this table in connection with the purchase of property.

What sum must be put by to provide a fund for replacing £500 invested in perishable property in 25 years' time if the accumulation takes place at 3 per cent. ?

You want to know how much you must put by at once in a capital sum, instead of dealing with the case through the medium of a sinking fund supplied by annual contributions. Suppose you can accumulate this fund at 3 per cent.

Every £1 put by and allowed to accumulate for 25 years at 3 per cent. will become £2·09378, and therefore to accumulate £500 in the same period at the same rate $£\frac{500}{2{\cdot}09378}$ or £238·802 will be required.

The Present Value of £1 (Second Column).

(*a*) The present value of £1 in 40 years at 4½ per cent. . . . . = £·172
The present value of £168 in 40 years at 4½ per cent. . . . . = £·172 × 168
= **£28 17 11**

(*b*) The present value of £1 in 35 years at 5 per cent. . . . . = £·181
The present value of £250 in 35 years at 5 per cent. . . . . = £·181 × 250
= **£45 5 0**

(*c*) The present value of £1 in 23 years at 3½ per cent. . . . . = £·453
The present value of £500 in 23 years at 3½ per cent. . . . . = £·453 × 500
= **£226 10 0**

(*d*) *What is the value of 20 acres of land which at present is accommodation land returning, say, £4 per acre per annum, but which it is estimated will be ripe for building purposes in 10 years' time and will then sell for £500 an acre ?*

Here you will have to make your valuation in two items, the first dealing with the £80 per annum to be received for 10 years, and the second dealing with the present value of the £10,000 to be received, say, in the eleventh year (allowing one year for sale, etc.).

It is with the second item we are now concerned.

Putting aside all consideration of costs which may be involved, the item simply evolves itself into this question —What is the present value of £10,000 which will not be received for 11 years? Calculating on the 6 per cent. basis we obtain £5267, 18s., arrived at as follows:—

The present value of £1 due in 11 years at 6 per cent. . . .	= £·52679
The present value of £10,000 due in 11 years at 6 per cent. . .	= £10,000 × ·52679
	= **£5267 18 0**

The Amount of £1 per annum (Third Column).

(*a*) The amount of £1 per annum in 25 years at 3½ per cent. . .	= £38·950
The amount of £250 per annum in 25 years at 3½ per cent. .	= £38·950 × 250
	= **£9737 10 0**
(*b*) The amount of £1 per annum in 35 years at 5 per cent. . .	= £90·32
The amount of £360 per annum in 35 years at 5 per cent. .	= £90·32 × 360
	= **£32,515 0 0**
(*c*) The amount of £1 per annum in 21 years at 4½ per cent. .	= £33·783
The amount of £460 per annum in 21 years at 4½ per cent. .	= £33·783 × 460
	= **£15,540 3 7**

(*d*) *A leasehold property having* 50 *years unexpired is bought for* £2000, *and the net income from it is* £135 *per annum. If* 6 *per cent. on capital is taken each year as interest on investment, will the balance put by at* 3½ *per cent. provide the necessary sinking fund?*

Net income per annum . . .	= £135	0 0
6 per cent. per annum on £2000 . .	= 120	0 0
Available for sinking fund per annum .	= **£15**	**0 0**
Amount of £1 per annum in 50 years at 3½ per cent. .	= £130·99791	
Amount of £15 per annum in 50 years at 3½ per cent. .	= 130·99791 × 15	
	= **£1964 19 4**	

The amount which £15 per annum put by at 3½ per cent. compound interest will provide is, approximately, £1965, or £35 short of the required amount, £2000.

The Present Value of £1 *per annum* (*Fourth Column*).

(*a*) The present value of £1 per annum for 25 years at 6 per cent. .	= £12·783
The present value of £260 per annum for 25 years at 6 per cent.	= £12·783 × 260
	= **£3323 11 7**
(*b*) The present value of £1 per annum for 35 years at 7 per cent. .	= £12·947
The present value of £145 per annum for 35 years at 7 per cent.	= £12·947 × 145
	= **£1877 6 3**
(*c*) The present value of £1 per annum for 25 years at 8 per cent. .	= £10·674
The present value of £186 per annum for 25 years at 8 per cent.	= £10·674 × 186
	= **£1985 7 3**

(*d*) *What is the value of a house held for a term of* 50 *years unexpired at a ground rent of* £10 *per annum, subleased for an unexpired term of* 5 *years at* £100 *per annum and in the occupation of a yearly tenant who pays* £150 *per annum?*

From the above question we gather that the net income will be £90 per annum for the first 5 years and £110 per annum for the rest of the term, or 45 years after the first 5 years. The manner in which the net incomes have been arrived at may not be evident to the student at this stage.

The application to this case of the table under consideration is therefore as follows :—

£90 per annum for 5 years at 5 per cent. = £90 at £4·329 years' purchase	= £389 12 0
£110 for 45 years after 5 years (§ 72) at 6 per cent. =	
50 years, 6 per cent. = 15·76186 years' purchase	
Less 5 years, 6 per cent. = 4·21236 years' purchase	
45 years after 5 years at 6 per cent. = 11·54950 years' purchase	
£110 × 11·54950	= £1270 8 0
The value of the house	= £1660 0 0

The tables on pages 86 to 93 are repetitions of the tables already considered, with this difference—that the periods are given in regular round intervals of 10 years from 10 to 100 years, and they are calculated to $\frac{1}{4}$ per cent. between 3 per cent. and 5 per cent., and to $\frac{1}{2}$ per cent. between 5 per cent. and 7 per cent., which is a little more ample in that matter than the tables before referred to.

The Perpetuity Table.

The Present Value of £1 *per annum in Perpetuity.*—The table on page 94 is known as the Perpetuity Table, and

is applied to the valuation of interminable estate. It is calculated to every $\frac{1}{8}$ per cent. from $\frac{1}{8}$ per cent. to 10 per cent.

This table shows what sum may be given for a net annual income to be enjoyed in perpetuity. When applied to any given net income the capital value so found will be such that the income will represent the simple interest on the capital.

The property valued being the fee simple estate, no sinking fund is involved (§ 69).

A few examples of the application of the table will suffice.

(*a*) The present value of a net income of £280 per annum to be enjoyed in perpetuity, calculating at 3 per cent. . . . . = £280 × 33·333
= **£9333 4 9**

(*b*) The present value of a net income of £350 per annum to be enjoyed in perpetuity, calculating at 4 per cent. . . . . = £350 × 25
= **£8750 0 0**

(*c*) The present value of a net income of £680 per annum to be enjoyed in perpetuity, calculating at $4\frac{3}{4}$ per cent. . . . . = £680 × 21·052
= **£14,315 7 0**

(*d*) *What is the value of a Freehold Ground Rent of £10 per annum, assuming it to be a 4 per cent. investment?*

A freehold ground rent is usually regarded as a net income, and the workings will therefore be as follows :—

£10 per annum in perpetuity at 4 per cent.
= £10 at 25 years' purchase.

Value of freehold ground rent = **£250 0 0**

The Reversion to a Perpetuity Table.

The Present Value of £1 per annum in Perpetuity after a Term.—This table, which is found on pages 95 to 98 of Inwood's Tables, shows the value of a net annual income which is to be enjoyed in perpetuity after it is once entered upon, but which the owner will not commence to receive until after the expiration of a given period (§ 70).

The Present Value of a Reversionary Interest in a Freehold Property.

(*a*) Where term deferred is 25 years, the net income £150 per annum, and interest 5 per cent., the present value = £150 at 5·906 years' purchase . . . . . = £885 18 0

(*b*) Where term deferred is 40 years, the net income £160 per annum, and interest 3½ per cent., the present value = £160 at 7·216 years' purchase . . . . . = £1154 11 0

(*c*) Where term deferred is 21 years, the net income £180 per annum, and interest 6 per cent., the present value = £180 at 4·902 years' purchase . . . . . = £882 7 0

(*a*) *What is the value of a freehold house let on repairing lease for 21 years, now 20 years unexpired, at £100 per annum, the lessee having properly paid a premium of 100 guineas for the lease? Property in the neighbourhood is well maintaining value, increasing in value rather than otherwise.*

The rent receivable for the next 20 years will be the £100 per annum reserved rent under the lease. After that

period the freeholder may expect to lease the property at £100 and take a premium of £105 for a 21 years' lease, or he may expect to let at £108 per annum, which is the equivalent. There will, however, we must suppose, be some losses at times for which we ought to allow £3 per annum, so that the net income in perpetuity after 20 years will be £105 per annum.

On the 5 per cent. basis the valuation will therefore be as follows:—

£100 per annum for 20 years = £100 at 12·462 years' purchase	= £1246
£105 per annum in perpetuity after 20 years = £105 at 7·537 years' purchase . .	= 791
The present value of the freehold property =	**£2037**

It is the last item in the valuation which forms an illustration of the application of the table under consideration.

Perpetual Fines Table.

Capital Value of the Perpetuity of Fines Payable at Given Intervals.—The table at the top of page 99, Inwood's Tables, shows the present value of a fine payable at fixed intervals in perpetuity.

There are some cases in which leases have been granted on terms which give the lessee the right to renew them from time to time in perpetuity on payment of a fine at regular intervals (§§ 155 (5), 182, Q. 21A).

The value of such leaseholds may approximate to the value of the freehold interest in the same property, minus the capital value of the fines. It is often convenient, therefore, to know what the capital value of such fines is (Appendices A and C, 2).

The following examples of the application of the table may be helpful.

The capital sum which should be paid for extinguishing a fine payable at regular intervals in perpetuity, for keeping leases in force, is given in the table for each £1 of fine, and therefore—

(*a*) When the fine is £14 payable every 7 years, calculating at 4 per cent., the capital value will be . . £14 × 3·165
= **£44 6 0**

(*b*) When the fine is £20 payable every 14 years, calculating at 5 per cent., the capital value will be . . £20 × 1·02
= **£20 8 0**

(*c*) When the fine is £30 payable every 10 years, calculating at 6 per cent., the capital value will be . . £30 × 1·264
= **£37 18 0**

(*d*) *What is the value of a lease renewable in perpetuity on payment of a fine of £20 every 14 years? The net average annual income from the property is £250 per annum.*

Valuing the property as if it were freehold, except for the fact that a table giving a rather higher rate of interest has been selected than would have been used in the case of freehold, the valuation is:—

£250 per annum in perpetuity at 6 per cent. = £250 at 16·666 years' purchase . . . . . = £4166 10 0

The present value of the perpetuity of a fine of £1 every 14 years at 3 per cent. = £1·9509 : ∴ the value of the perpetuity of the fine in question = £1·9509 × 20 = £39·018, say . 39 0 0

Value of the leasehold = **£4127 10 0**

Renewal of Leases Table.

The tables to which we must now address our attention are those on pages 99 to 103 of Inwood's Tables. The object of these tables is to show how many years' purchase of the net annual profit arising to the lessee from a property must be given for the restoration of any number of years lapsed in a lease of that property.

For example,—suppose a lease granted for 40 years is now 25 years unexpired. The lessee wishes to renew the lease or restore it to the original period of 40 years. He really wishes to buy a further term in the property—he wishes to buy an interest to endure for 15 years after his existing 25 years. The table shows how many years' purchase of the profit he derives under the lease may be given for the advantage to arise out of the renewal.

It must be understood that, unless otherwise specified, renewing means extending the period of enjoyment on the terms of the original lease.

The tables are calculated to meet the case of any number of years expired in leases originally granted for 10, 20, 21, and 40 years. The rates of interest involved in the calculations are given for every ½ per cent. from 2 per cent. to 5 per cent.

A column in each table, taking them in the order given above, gives the years' purchase based on 17·95 per cent., 12·304 per cent., 11·564 per cent., and 8 per cent. Premiums calculated at such rates are equivalent to a year's rent every 4th, 7th, and 7th and 14th year respectively.

The years stated in the extreme left-hand column of the tables are those expired in the lease to be renewed.

The present object is to show the application of the tables, but in the examples which follow in later chapters these tables will seldom or never be referred to, simply because, with slight calculation, the tables we first considered can be applied not only to the cases of leases originally granted for 10, 20, 21, and 40 years, but to any case which can arise in practice (§ 182, Qs. 32, 47, 48, etc.).

EXAMPLES.

(*a*) What premium ought to be paid for renewing a lease in which the original term was 10 years, unexpired term 3 years (expired 7 years), and the net profit rental enjoyed under which is £225?

The tables give for original term 10 years and expired term 7 years, when the interest is 5 per cent., 4·998 years' purchase.

∴ £225 at 4·998 years' purchase =

Premium to be paid = **£1124 11 0**

(*b*) *What premium ought I to pay for renewing a lease in which the original term was* 10 *years, unexpired term* 7 *years* (*expired* 3 *years*), *and the net profit rental enjoyed under which is* £110?

Calculating at 4 per cent., £110 × 2·109 =

Premium to be paid = **£232 0 0**

(*c*) *What premium ought I to pay for renewing a lease in which the original term was* 10 *years, unexpired term* 2 *years* (*expired* 8 *years*), *and the net profit rental enjoyed under which is* £550?

Calculating at 4½ per cent., £550 × 6·04 =

Premium to be paid = **£3322 0 0**

(*d*) *What premium ought I to pay for renewing a lease in which the original term was* 20 *years, unexpired term* 3 *years* (*expired* 17 *years*), *and the net profit rental enjoyed under which is* £225?

Calculating at 5 per cent., £225 × 9·739 =

Premium to be paid = **£2191 5 0**

(*e*) *What premium ought I to pay for renewing a lease in which the original term was* 20 *years, unexpired term* 7 *years* (*expired* 13 *years*), *and the net profit rental enjoyed under which is* £110?

Calculating at 4 per cent., £110 × 7·588 =

Premium to be paid = **£834 14 0**

(*f*) *What premium ought I to pay for renewing a lease in which the original term was* 20 *years, unexpired term* 2 *years* (*expired* 18 *years*), *and the net profit rental enjoyed under which is* £550?

Calculating at $4\frac{1}{2}$ per cent., £550 × 11·135 =

Premium to be paid = **£6124 5 0**

(*g*) *What premium ought I to pay for renewing a lease in which the original term was* 21 *years, unexpired term* 3 *years* (*expired* 18 *years*), *and the net profit rental enjoyed under which is* £225?

Calculating at 5 per cent., £225 × 10·098 =

Premium to be paid = **£2272 0 0**

(*h*) *What premium ought I to pay for renewing a lease in which the original term was* 21 *years, unexpired term* 7 *years* (*expired* 14 *years*), *and the net profit rental enjoyed under which is* £110?

Calculating on basis of 4 per cent., £110 × 8·027 =

Premium to be paid = **£882 19 0**

(*i*) *What premium ought I to pay for renewing a lease in which the original term was* 21 *years, unexpired term* 2 *years* (*expired* 19 *years*), *and the net profit rental enjoyed under which is* £550?

Calculating at $4\frac{1}{2}$ per cent., £550 × 11·532 =

Premium to be paid = **£6342 12 0**

(*j*) *What premium ought I to pay for renewing a lease in which the original term was* 40 *years, unexpired term* 3 *years* (*expired* 37 *years*), *and the net profit rental enjoyed under which is* £225?

Calculating at 5 per cent., £225 × 14·436 =

Premium to be paid = **£3248 2 0**

(*k*) *What premium ought I to pay for renewing a lease in which the original term was* 40 *years, unexpired term* 7 *years* (*expired* 33 *years*), *and the net profit rental enjoyed under which is* £110?

Calculating at 4 per cent., £110 × 13·791 =
Premium to be paid = **£1517 0 0**

(*l*) *What premium ought I to pay for renewing a lease in which the original term was* 40 *years, unexpired term* 2 *years* (*expired* 38 *years*), *and the net profit rental enjoyed under which is* £550?

Calculating at 4½ per cent., £550 × 16·529 =
Premium to be paid = **£9090 19 0**

One example showing how a renewal premium may be calculated when the original term of the lease was not one of the periods given in these tables, may with advantage be given.

(*m*) 63 *years having expired in a lease for* 80 *years, find the renewal fine payable for the lapsed period, the net annual rental being* £100 *and the reserved rent* £40 *per annum.*

Net annual rent per annum = £100
Deduct reserved rent . = 40

Profit rent . . = £60

80 years at 5 per cent. = 19·596 years' purchase
17 ,, ,, ,, = 11·274 ,, ,,

63 after 17 years = 8·322 ,, ,,

£60 for 63 years after 17 years at 5 per cent. =
£60 × 8·322.

Renewal premium = **£499 6 0**

Note how the multiplier has been found. The process would apply to any case. (See also § 182, Qs. 32, 47, 48, etc.)

The tables on pages 104 and 105 are interesting, but not very useful for our purpose, and they can be left to speak for themselves.

The Sinking Fund Table.

Replacement of Capital.—The table on pages 106 to 115 is calculated for every $\frac{1}{4}$ per cent. from 1 per cent. to 5 per cent., and for each per cent. from 5 per cent. to 10 per cent., the periods involved ranging from 1 to 100 years.

The object of the table is to show the annual contribution which must be made to a fund accumulating at a given rate of interest in order to provide a given capital sum at the end of some fixed period (§§ 74, 75, and 80).

Question.—What Sum must be put by Annually to Provide for Replacing £1000 worth of Perishable Property in 25 Years' Time.

Solution.—If the accumulation will take place at 3 per cent., the annual sinking fund to provide £1 in 25 years at 3 per cent. = £·027428 ∴ to provide £1000 we need £·027428 × 1000 . = £27·428

If 4 per cent. interest can be obtained on the money put by, then the amount of sinking fund to provide £1 in 25 years at 4 per cent. = £·024012 : to provide £1000 we shall need £·024012 × 1000 . . . . . = £24·012

If the sinking fund can be accumulated at 5 per cent., then the annual contribution necessary to provide £1 in 25 years at 5 per cent. = £·020952, and the annual amount necessary to provide £1000 = £·020952 × 1000 . . . . = £20·952

Investments in which the Sinking Fund cannot be Accumulated at the Same Rate of Interest as that Required on Investment: Special Table.

Investment and Reinvestment at Varying Rates.—The table on pages 116 to 121 is so calculated that the net annual income from any property represents—

(*a*) the annual interest which the investment is to return the purchaser on the capital value calculated by its aid, plus

(*b*) the annual contribution to the sinking fund necessary to provide for replacing that capital sum, assuming the fund accumulates at a *lower* rate of interest than that which the investment pays.

In the Common Tables (Inwood's Tables, pages 50 to 85) the years' purchase is calculated on the assumption that the sinking fund can be accumulated at the *same* rate of interest as that which the investment pays.

In any case in which an investment is of such a nature that the capital value would be calculated on the basis of its paying a high rate of interest, the common table is not suitable, because it would not be possible to accumulate a sinking fund at the same high rate.

In such cases the Special Table now under consideration is obviously more suitable, as by using it in valuing an investment to return say 10 per cent., that table may be selected which, whilst providing this return on capital, provides for the sinking fund accumulating at say only 3 per cent.

The table extends from 3 per cent. to 10 per cent. on investment, and from 2 per cent. to 4 per cent. on reinvestment, advancing by ½ per cent.

The table is applied in valuations in precisely the same manner as is the common table, there being no difference except in the years' purchase of the net annual income to be given. No examples are therefore necessary (§ 80).

The three tables which follow—pages 120 to 128—are interesting, but may be left to speak for themselves.

Mortality Tables.

Expectation of Life.—The Mortality Tables (pages 130 to 136) show the average expectation of life of persons of

given age, or, in other words, the number of years anyone of given age will live if he attains, and does not more than attain, the average length of life. (See §§ 144 to 152.)

The information given is based on statistics prepared by different authorities in different parts of the country ; in some cases the lives are select or insured lives, and in other cases the table has reference to the population in general. Other tables have reference specially to male lives, and still others to female lives. Great care is therefore necessary in consulting these mortality tables.

These tables are not valuation tables ; but Life Valuation Tables, to be referred to later, have been based upon them.

The chief point for the student to note is that he must not select the probable duration of a life of given age from the mortality tables, treat that as a definite term, and find his years' purchase from the ordinary valuation tables on pages 50 to 85 of Inwood's Tables. Referring to the Northampton table, for example, we find the probable duration of life for the age 25 is 30·85 years, whilst the probable duration of a life, age 35 years, is 25·68, and not 20·85, as we should find by subtracting the ten years' interval between ages 25 and 35 from 30·85, as we might of course do in the case of a definite term of years. The mortality combined with interest tables must be consulted.

Investment and Speculation.—It should further be impressed on the student that he should discriminate between sheer speculation and investment, and remember that what may be safely indulged in by a company having large dealings, in which the average result of the transactions is all that matters, may be wholly unsuitable for any individual transaction in which a successful issue would but secure a fair return, and in which an unsuccessful issue would spell disaster.

To pursue the subject further here would be out of place, but it will be considered in a future chapter.

Single Life Interest and Life Reversion Tables.

Mortality and Interest Combined.—The tables on pages 138 to 154 give the years' purchase applicable to the case in which a property is to be enjoyed either—

(*a*) during a *life*, or

(*b*) in perpetuity after a *life* of given age, instead of, as in the case of the tables discussed early in this chapter, either during a *fixed term* or in perpetuity after a *fixed term*.

The years' purchase taken from these Life Interest Tables is applied in valuations in precisely the same manner as the tables just referred to: all that is necessary is to select a table which has been formed on statistics which coincide with the circumstances involved in the property to be valued.

Single Payment Tables.

There are also tables showing both the single payment and the annual payment during life which must be made to secure £1 on death.

Examples in the Valuation of Life Interest are considered unnecessary here; they are reserved for Chapter VII.

Life Interest and Life Reversion Tables. Two or more Lives.

The tables on pages 155 to 184 are similar to the last mentioned tables, with this important difference—instead of being applicable to the case of an estate to be enjoyed during a life or in perpetuity after a life, they apply to the case in which the income from the property is to be enjoyed either—

(*a*) During the continuance of BOTH of TWO or ALL of THREE lives.

(*b*) During the continuance of EITHER of TWO or ANY ONE of THREE lives.

(*c*) After the death of BOTH of TWO or ALL of THREE lives.

(*d*) After the death of the FIRST of TWO or THREE lives.

It is very important, of course, to be sure of the circumstances attending the estate being valued, and to know whether it may be classed as case *a*, *b*, *c*, or *d* above, likewise to use the table which is applicable to those circumstances.

Care must also be exercised to select the table based on the probable duration of lives of the class applicable to the case under consideration, whether select lives or otherwise.

Further reference will be made to the application of the Life Interest Tables in the Valuation Examples which will be given in a later chapter.

Enough has been said with regard to the tables generally to serve our present purpose, which is to secure for the student a general acquaintance with the tables before proceeding to Chapter IV., which deals with their formation.

Note.—Although in the preceding examples all but very small fractions of £1 have been shown, in practice values and premiums would be rounded off to the nearest £5 probably.

CHAPTER IV.

THE FORMATION OF THE VALUATION TABLES.

64. The Amount of £1 in any Number of Years. 65. The Present Value of £1 due in any Number of Years. 66. The Amount of £1 per annum in any Number of Years. 67. The Present Value of £1 per annum in any Number of Years. 68. The Amount of £1, the Present Value of £1, the Amount of £1 per annum, and the Present Value of £1 per annum. 69. The Present Value of a Perpetuity of £1 per annum. 70. The Reversion to a Perpetuity of £1 per annum. 71. The Present Value of a Perpetuity of One Year's Rent. 72. The Years' Purchase to be Given for an Annuity to be Enjoyed for a Term after a Term. 73. The Number of Years' Purchase of the Net Annual Profit Rental Enjoyed under a Lease to be Paid for the Renewal of any Number of Years Expired in such Lease. 74. Sinking Fund Table. 75. Value of an Annuity yielding Interest on Capital at a Given Rate and Replacing the Capital at a Lower Rate. 76-80. Worked Examples of the Formation of Tables.

63. The object of the present chapter is to indicate how Valuation Tables are formed.

The chief usefulness of this study to students lies in the fact that modern examination papers often include questions involving the formation of the tables; and also the study is an excellent qualification in connection with the application of the tables in practice.

For practical men the chapter may be useful for reference, as a reminder in cases when, owing to some special rate of interest not given in the tables being required, it may be necessary to make the calculation.

It is quite possible to use the valuation tables without having any intimate acquaintance with their construction, but there is something humiliating as well as dangerous in following so unintelligent a course.

The best introduction to the construction of the tables is doubtless a careful examination of them, in which we

discover how one may be formed from another, or sometimes from two others. It will be shown that such an examination reveals the fact that, given the two primary compound interest tables, "The Amount of £1," "The Amount of £1 per annum," the other tables can be easily calculated by the simple process of multiplication and division. The two primary tables referred to are calculated by the aid of logarithms.

The fact that the tables are so easily formed does not detract from their value in the least degree: they are intended to save time and to avoid mistakes, and they fulfil their purpose well; but they must of course be properly applied, and this can only be done by those possessing a thorough knowledge of them.

The two primary compound interest tables, "The Amount of £1," and "The Amount of £1 per annum," with a brief indication for forming most other useful Valuation Tables from them, will be found in Appendix B.

THE FORMATION OF VALUATION TABLES WITH THE AID OF THE TWO COMPOUND INTEREST TABLES—THE AMOUNT OF £1, AND THE AMOUNT OF £1 PER ANNUM.

It will be convenient to deal with the tables in the order in which they appear in Inwood's collection.

The first table to be considered will therefore be that which is found on pages 50 to 85 of Inwood's book, and the columns will be referred to in the order in which they therein appear.

64. **Column I. The Amount of £1.**—This table gives £1 and its compound interest at given rates for definite periods, from 1 to 100 years. It can only be calculated, in any extensive form, by the aid of logarithms. It has been referred to before as one of the primary compound interest tables from which we may calculate others: its formation is dealt with later in this chapter.

65. **Column II. "The Present Value of £1."**—This table may be formed by simply dividing unity by the amount of £1, thus, $\frac{1}{\text{the amount of £1}}$ = present value of £1.

The amount of £1 for 10 years at 5 per cent. = £1·62889, and the present value of £1 due in 10 years at 5 per cent. is therefore £$\frac{1}{1{\cdot}62889}$ or £·61391. Here, then, having the primary table—the amount of £1 for any period at any rate of interest—we may easily find the present value of £1 for the same period at the same rate of interest.

The truth of the rule may be shown by simply stating the primary table and then transposing the formulæ according to the simple rules of arithmetic. It must be recognised that the present value of a sum is the amount which, put by at the agreed rate of interest for the given period, will produce that sum. Since the amount of £1 in 10 years at 5 per cent. = £1·62889, the present value of £1·62889 is £1, and therefore the present value of £1 is £$\frac{1}{1{\cdot}62889}$ or £·61391.

66. **Column III. The Amount of £1 per annum.**—This is the other primary table before referred to: it can only be calculated in any extensive form by the aid of logarithms; when these are used, however, the calculations are easily made. (See § 78 of this Chapter.) The table shows what will be the accumulated sum if £1 per annum is paid into a fund accumulating at any given rate of compound interest over any given period. This fact should be carefully noted in order that what follows in the next paragraph may be understood perfectly.

67. **Column IV. The Present Value of £1 per annum.**—Present value here must not be confused with present value as applied to the case of £1. The table is better referred to as the Years' Purchase Table, because the

assumption is that £1 is a net annual income to be enjoyed for a given period, and the table indicates how many times that net annual income may be taken to indicate capital value, if the purchaser is to be paid an agreed rate of interest on his capital out of that net income, which must be sufficient also to provide an annual contribution to a sinking fund to replace capital at the end of the given period.

The Present Value of £1 per annum or Years' Purchase Table may be simply found by dividing the *amount* of £1 per annum by the amount of £1.

The amount of £1 per annum for 25 years at 5 per cent. is £47·72710; the amount of £1 for the same period at the same rate is £3·38635; and $£\frac{47\cdot72710}{3\cdot38635} = £14\cdot09394$, which represents the present value of £1 per annum for 25 years at 5 per cent. Thus this table is easily formed from the two primary tables, "The Amount of £1" and "The Amount of £1 per annum."

The reason for this may be easily seen from the following explanations. It is all a matter of equivalents. If £1 is put by for 25 years at 5 per cent., at the end of that period there will be accumulated £3·38635. If, on the other hand, £1 is put by each year for 25 years at 5 per cent., there will be accumulated in that period £47·72710. By dividing out, it is found how many times more valuable the latter is than the former, or, in other words, the multiple of the former which the latter represents, or how many £s may be taken as equivalent to £1 per annum, having regard to the number of annuities involved, and the rate of interest on investment and reinvestment, which, in the common table, is always the same.

The special table found on pages 116 to 121 of Inwood's book, in which the interest on investment is calculated at a higher rate than that on reinvestment, obviously could

not be found from the primary tables in this way. (See § 79 of this chapter.)

68. **The Amount of £1, the Present Value of £1, the Amount of £1 per annum, and the Present Value of £1 per annum (Inwood's Tables, pages 86 to 93).**—These tables are the same as the four tables already considered: no further comment is needed.

69. **The Present Value of a Perpetuity of £1 per annum (Inwood's Tables, page 94).**—This table is easily formed without the aid of either logarithms or the primary compound interest tables. All that is necessary is to divide 100 by the rate of interest. Thus for 5 per cent. $\frac{100}{5} = 20$ years' purchase, for $3\frac{5}{8}$ per cent. $\frac{100}{3\frac{5}{8}} = \frac{800}{29} =$ 27·58621 years' purchase.

To make the matter quite clear it is only necessary to note (1) that simple interest only is involved; (2) that the net income and the interest on investment are identical; and (3) that the interest is in reference to each £100 of capital. Then interest × years' purchase $= £100$

$$\therefore \text{ years' purchase } = \frac{100}{\text{interest.}}$$

70. **The Reversion to a Perpetuity (Inwood's Tables, pages 95 to 98).**—This table is used in valuing an interest to be enjoyed in perpetuity, but which will not be entered upon until after the expiration of a term. The years' purchase to be given therefore must be that which would be given for an unincumbered fee simple, minus the years' purchase attributable to the years the reversion is deferred.

The table is easily formed by simply subtracting from the years' purchase for perpetuity at any given rate of interest, the years' purchase for the term for which the reversion to perpetuity is deferred, at the same rate of interest, the result being the years' purchase applicable to the reversion of a perpetuity after the given term.

For example—Suppose a case of a reversion to a perpetuity after 20 years.

The years' purchase for perpetuity at 5 per cent., we know is $\frac{100}{5}$ . . .	= 20	years' purchase.
The years' purchase for 20 years at 5 per cent. .	= 12·46221	,,
Perpetuity after 20 years at 5 per cent. . . .	= **7·53779**	years' purchase.

71. **The Present Value of the Perpetuity of One Year's Rent (Inwood's Tables, page 99).**—This table may very easily be formed from the primary compound interest table—the amount of £1.

To make the explanation clear, it is only necessary to bear in mind that what is required is simply the sum which, put out at a given rate of interest, will produce in compound interest, apart from capital, the sum necessary to meet the fine.

Consulting the table giving the amount of £1, we see that if £1 is put by and allowed to accumulate at 3 per cent. for 14 years, it will amount to £1·51259. We can therefore draw from this £·51259, but must leave the £1 invested to accumulate at compound interest to meet the next fine.

To produce £1 instead of £·51259 each 14 years we must put by £$\frac{1}{\cdot 51259}$, or £1·9509. This is the sum which the table under consideration shows must be paid as the capital value of a fine of £1 payable every 14 years in perpetuity, calculating at 3 per cent.

From the above consideration it will be seen that by simply taking the amount of £1 in any given period at any given rate of interest, and subtracting the capital of £1, we obtain what each £1 invested will return in compound interest only, leaving the capital untouched to accumulate

to meet future fines; and by dividing the amount of the fine to be accumulated by the interest accumulated on £1 in the given period at the given rate of interest, we ascertain how many £s, or what sum, must be invested under those conditions to meet the periodical fine in perpetuity.

72. **The Years' Purchase to be Given for an Annuity to be Enjoyed for a Term after a Term.**—There is no table answering to this description in Inwood's collection. Such a table would be too bulky, and it is so easily calculated from the tables which are included that nothing more can be needed than a knowledge of the fact.

The years' purchase to be paid for an annuity to be enjoyed for a term in reversion after the expiration of a term in interest is obviously that which ought to be given for the whole term in interest and in reversion, minus the years' purchase attributable to the present term, or term in interest. The years' purchase to be applied in the valuation of an income to be enjoyed for a term after a given term may therefore be found by the simple process of subtraction.

Thus the years' purchase to be employed in valuing an income to be enjoyed for 20 years after 10 years, assuming the rate of interest to be 5 per cent., is found as follows:—

30 years at 5 per cent.	= 15·37245	years' purchase.
10 ,, ,, ,,	= 7·72173	,, ,,
20 years after 10 years	= **7·65072**	years' purchase.

73. **The Number of Years' Purchase of the Net Annual Profit Rental Enjoyed under a Lease to be Paid for the Renewal of any Number of Years Expired in such Lease (Inwood's Tables, pages 99 to 103).**—The table referred to in the above heading evidently may be found by the same process as that employed in constructing the table last dealt with, but the table is confined to certain periods and intervals. Thus we find the years' purchase for replacing 10 years expired in a lease originally granted for 21 years on the 5 per cent. basis is 4·51474

years' purchase. This is easily found from the present value of £1 per annum, or the years' purchase table, as follows :—

21 years at 5 per cent. . .	= 12·82115 years' purchase.
11 years (unexpired) at 5 per cent.	= 8·30641 ,,
10 years (expired) after 11 years (unexpired) . .	= **4·51474** years' purchase.

It should be carefully noted that the table on page 101, on which the example is based, gives in the extreme left-hand column the number of years expired in the lease. When we find the table from the present value of £1 per annum, the years' purchase for the *unexpired* period is of course subtracted from the years' purchase for the full period to find the years' purchase for the expired period after the unexpired period.

74. **The Sinking Fund Table (Inwood's Tables, pages 106 to 115).**—This table may very simply be formed by dividing unity by the amount of £1 per annum for the period and at the rate of interest involved. Thus the annual contribution to be made to a sinking fund to provide £1 at the end of 10 years, if the accumulation takes place at 5 per cent., is, as shown in the table under consideration, £·079505 per annum. This result can be arrived at by dividing unity by the amount of £1 per annum for 10 years at 5 per cent., thus $£\frac{1}{12\cdot57789} = £\cdot079505$.

This may be explained as follows :—If £1 is paid into a fund each year for 10 years and allowed to accumulate at 5 per cent. interest, at the end of that period the accumulated sum will be £12·57789. If therefore $£\frac{1}{12\cdot57789}$ is put by for the same period at the same rate of interest, the accumulated sum will be £1. $£\frac{1}{12\cdot57789} = £\cdot079505$, which

it has already been shown is the annual contribution necessary to provide £1 in 10 years if the fund accumulates at 5 per cent.

75. **Value of an Annuity yielding Interest on Capital at a Given Rate and Replacing the Capital at a Lower Rate.**—This table may easily be formed with the aid of the sinking fund table, which it has been shown can in turn be formed by simply dividing unity by the amount of £1 per annum.

No difficulty can be experienced in following the method of construction, if it is remembered that in the case of terminable estates the net income from a property must be sufficient to (*a*) pay the interest on investment and (*b*) provide the annual contribution to the sinking fund for replacing capital.

It is only necessary, therefore, to add to the annual contribution to the sinking fund the interest on investment, to obtain the net annual income which the property must return for each £1 invested.

From the sinking fund table, or from calculation already referred to—

the sinking fund for providing £1 in 20 years at 3 per cent.	= £·037216
the interest on investment at 7 per cent. .	= ·070000
the annual income for each £1 must . .	= £·107216

and the years' purchase, if the investment is to return 7 per cent. and the sinking fund is to accumulate at 3 per cent., will be $£\frac{1}{·107216}$ = 9·32697 years' purchase.

The last step may be traced as follows :—

The income multiplied by years' purchase = capital

∴ years' purchase . . . . . $= \frac{\text{capital}}{\text{income.}}$

The capital in this case is £1, hence our dividing unity by

the income (which it has been pointed out equals the contribution to the sinking fund, plus the interest on investment) to arrive at the years' purchase.

THE FORMATION OF VALUATION TABLES WITH THE AID OF TABLES OF LOGARITHMS.

So far we have seen how the various tables in the collection can be formed with the aid of the two primary compound interest tables, the amount of £1, and the amount of £1 per annum. It now remains to be shown how the tables can be calculated without such aid, provided tables of logarithms are to hand.

75. **The Amount of £1 for any Number of Years.** In arriving at the simple interest on any sum at any given rate, we multiply the given sum by the figure representing the rate, 3 for 3 per cent., 3½ for 3½ per cent., etc., and divide by 100.

Instead of doing this we might, of course, for 3 per cent. simply multiply by 1·03, for 3½ per cent. by 1·03½, and so on for any percentage.

For the purpose of the following calculations, I will, in each case suppose the rate is 3 per cent., and, except where there is advantage in doing otherwise, will suppose the sum in respect of which the calculations are made to be £1.

Taking the sum, then, to be £1 and the rate 3 per cent., $1 \times 1{\cdot}03$ will be equal to the amount of £1 for 1 year at 3 per cent. per annum.

$1 \times 1{\cdot}03 = 1{\cdot}03$, and 1·03 is therefore the principal on which the interest for the second year must be calculated.

Then $1{\cdot}03 \times 1{\cdot}03$ or $1{\cdot}03^2$ will be the principal on which the interest for the third year must be calculated.

Then $1{\cdot}03^2 \times 1{\cdot}03$ or $1{\cdot}03^3$ will be the principal on which the interest for the fourth year has to be calculated, and so on for any number of years.

What we see is this :—

(*a*) That the amount of £1 for 1 year at any given rate may be written down at once without calculation, as 1·05 for £1 for 1 year at 5 per cent. per annum, 1·03 for £1 for 1 year at 3 per cent. per annum, and so on.

(*b*) That this "amount," raised to the power represented by the number indicating the number of years, squared for 2 years, cubed for 3 years, raised to the 4th power for 4 years, and so on, will equal £1 for the given number of years at the given rate, and,

(*c*) By multiplying this result by the number representing the sum, 10 for £10, 20 for £20, and so on, we obtain the amount of any given sum for any given period at any given rate per annum.

In view of the ease with which the raising of powers, extraction of roots, etc., may be performed with the aid of logs, it is obvious that the calculations indicated may be easily performed with their aid.

EXAMPLE. FIND THE AMOUNT OF £50 IN 5 YEARS AT 5 PER CENT.

Log 1·05 . . .	=0·0211893
Raise to 5th power. .	5
	0·1059465
Log 50	1·6989700
	1·8049165
Next lower log . .	1·8049160
	5 difference

The common number corresponding to which next lower log is (with 1 added for difference)

63·8141 or £63·8141 or £63 16 $3\frac{1}{4}$.

77. **The Present Value of £1.**—In our consideration of the formation of the table, "The amount of £1 in any number of years," we found that the amount of £1 in 1 year at any given rate of interest, raised to the power represented by the number indicating the years involved, squared for 2 years, cubed for 3 years, raised to the 4th power for 4 years, and so on, would give the amount of £1 for the given number of years at the given rate, and that the result multiplied by the "amount" or sum involved would give that amount or sum with its accumulated compound interest at the given rate for the stated period.

In that case the question was, "What will £1 and its accumulated interest amount to in any given period at an agreed rate of interest?" In the present case the question is really, What sum put by now at any given rate for any given period will amount to £1 in that time? Or, in the language of the title of the table, "The present value of £1 due in any number of years."

It is important to note that these are identical.

Now let £1 be the sum
,, 1 year be the period in which it is due
and ,, x be the present value of that £1 due in 1 year (unknown).

Then x is to amount in 1 year to £1, if put by now at the given rate,—we will assume 5 per cent. for our example.

Similarly, the present value of £10 for 10 years at 5 per cent. is the amount which, put by at 5 per cent., will, with its accumulated interest, amount to £10 in 10 years. Putting x to equal the present value, we have

$$x(1{\cdot}05)^{10} \quad . \quad . \quad = 10$$

$$x \quad . \quad . \quad . \quad . \quad = \frac{10}{1{\cdot}05^{10}}$$

$$\therefore \; x \quad . \quad . \quad . \quad . \quad = 6{\cdot}14$$

Logarithms would of course be employed in the calculation as follows:—

Log 1·05	=0·0211893
Multiply by 10 to raise to 10th power	10
Divide 10 by this result . .	0·2118930
By subtracting it from the log of 10	1
Result equals log of x or present value	0·7881070
6·13913 equals number corresponding to log	0·7881047
	23 diff.

and this number 6·13913 is of course the present value of £10 for 10 years at 5 per cent.

If we consult the Valuation Tables we find the present value of £1 due in 10 years at 5 per cent. . . . . =£·61391
and multiplying this by 10, by moving the decimal point one place, we obtain the same result as above, viz. £6·1391.

The discount, of course, equals the given sum minus the present value, or, in the above case, £10 − £6·14 or £3·86.

78. **The Amount of £1 per annum.**—The table to be dealt with now is that giving the amount of £1 per annum for any number of years at given rates of interest.

It has been shown that the amount of £1 for 1 year at 5 per cent. $= 1 \times 1{\cdot}05 = 1{\cdot}05$; that £1 for 2 years at 5 per cent. $= 1 \times 1{\cdot}05^2$; that £1 for 3 years at 5 per cent. $= 1 \times 1{\cdot}05^3$, and so on. Similarly, £10 for 3 years at 4 per cent. $= 10 \times 1{\cdot}04^3$, and so on for any amount for any period at any rate of interest.

There are two points to be particularly noted :—

(*a*) The first £1 is not due until the end of the first year ; and

(*b*) The last amount to supplement the sum is the final £1 due at the end of the last year in the period under consideration.

Some difficulty generally being experienced in following the formation of the tables, I will trace the development of £1 per annum at 5 per cent. for 5 years.

At the end of the first year £1 becomes due. This £1 at 5 per cent. interest amounts at the end of the second year to £1·05. A second annuity of £1 then becomes due, and the capital becomes £1·05 + £1. This capital of £1·05 + £1 accumulating at 5 per cent. interest amounts at the end of the third year to (£1·05 + £1) × £1·05, or £1·05² + £1·05 ; and the third annuity of £1 becomes due, and the capital becomes £1·05² + £1·05 + £1. This capital of £1·05² + £1·05 + £1 in turn accumulates at 5 per cent. interest and amounts at the end of the fourth year to (£1·05² + £1·05 + £1) × £1·05, or £1·05³ + £1·05² + £1·05 ; and the fourth annuity of £1 becomes due and is added, so that the capital becomes £1·05³ + £1·05² + £1·05 + £1, and this capital accumulates at 5 per cent. and becomes at the end of the fifth year (£1·05³ + £1·05² + £1·05 + £1) × £1·05, or £1·05⁴ + £1·05³ + £1·05² + £1·05 ; and finally the fifth annuity becomes due and is added, and the accumulated fund becomes £1·05⁴ + £1·05³ + £1·05² + £1·05 + £1.

Now what we see from this consideration is that we get as the final accumulated sum the sum of the successive powers of the amount of £1 in 1 year at the given rate plus the final annuity.

If, therefore, the amount put by were £10 instead of £1, the result above given would be—

$$(10 \times 1{\cdot}05^4) + (10 \times 1{\cdot}05^3) + (10 \times 1{\cdot}05^2) + (10 \times 1{\cdot}05) + 10 ;$$

but as 10 appears in each of these added quantities, we might write it more conveniently

$$10(1{\cdot}05^4 + 1{\cdot}05^3 + 1{\cdot}05^2 + 1{\cdot}05 + 1).$$

But to make the calculation, even with the aid of logs, it will be observed would be a considerable task, and therefore we seek some means of changing the form of the above given result without, of course, affecting its value, so as to enable the calculation to be more easily performed. This is done as follows :—

It is shown by algebra (and the truth may be very simply verified by working out the fraction dividing the numerator by the denominator) that—

$$x^4+x^3+x^2+x+1=\frac{x^5-1}{x-1},$$

and therefore we might write the foregoing as $10\times\frac{1\cdot05^5-1}{1\cdot05-1}$ instead of $10(1\cdot05^4+1\cdot05^3+1\cdot05^2+1\cdot05+1)$. From the foregoing considerations we deduce the following rule :— The annuity, multiplied by the fraction formed with the amount of £1 for 1 year at the agreed rate of interest raised to the power represented by the number indicating the years involved (in the above case 5 years and therefore the 5th power), minus 1 as numerator, and the 1st power of the same, minus 1 for denominator, equals the amount of that annual annuity allowed to accumulate at the agreed rate of interest for the stipulated period.

And the fraction $1\times\frac{1\cdot05^5-1}{1\cdot05-1}$ would give the amount of £1 per annum for 5 years at 5 per cent., or the result we shall find by consulting the valuation table, "The amount of £1 per annum in any number of years."

By converting our result into the fraction given, we have the same value in a form which may be very simply worked out by the aid of logs, no matter what the annual annuity involved, the rate of interest, or the years during which the money is to accumulate.

Working out $\frac{1\cdot05^5-1}{1\cdot05-1}$ we have :—

Log 1·05	=0·0211893
Multiply by 5 for 5th power . .	5
	0·1059465
1·27628 equals number corresponding to nearest log	0·1059187
and difference 8 . . .	278

Subtract 1· from 1·27628

1·

·27628, and this divided by 1·05 − 1 equals 5) 27·628 (5·5256

and this quotient 5·5256 equals the amount of £1 per annum for 5 years at 5 per cent., as we may verify by consulting Inwood's Tables.

79. **The Present Value of £1 per annum.**—If we have given the amount of £1 for any given period at any given rate, and the amount of £1 per annum for the same period at the same rate, and if we divide the latter by the former, we shall obtain a comparison of their relative values, and that comparison will be in the form of showing by how many times the one is more valuable than the other; thus we may find that £1 per annum for the given number of years is two, three, or more times the value of the £1 for the same period. This number of times the one is represented by the other is the number of £s that may be given for the £1 per annum, or, in other words, the number of years' purchase which may be given for the £1 per annum.

If, therefore, we divide the amount of £1 per annum for any period at any rate by the amount of £1 for the same period at the same rate, we obtain the present value of £1 per annum for that same period and at the same rate, or, in other words, we have formed a table, "the present value of £1 per annum," so far as the years' purchase for the particular period and rate of interest are concerned.

To prove this take the amount of £1 per annum for 7 years at 7 per cent. from Inwood's Tables, and likewise

the amount of £1 for 7 years at 7 per cent., and divide the former by the latter. Then compare the result with the years' purchase given in the tables for purchasing leases, etc., for 7 years at 7 per cent., which you will find identical.

But the amount of £1 for 7 years at 7 per cent. would, as previously shown, be represented by $1{\cdot}07^7$, and the amount of £1 per annum for 7 years at 7 per cent. would be represented by $\frac{1{\cdot}07^7 - 1}{1{\cdot}07 - 1}$ consequently we may represent the present value of £1 per annum as

$$\frac{1{\cdot}07^7 - 1}{1{\cdot}07 - 1} \text{ divided by } 1{\cdot}07^7.$$

We divide a fraction by multiplying its denominator by the divisor, and thus we get the fraction—

$$\frac{1{\cdot}07^7 - 1}{1{\cdot}07^8 - 1{\cdot}07^7},$$

which becomes our formula for finding the present value of £1 per annum for any number of years.

We may state the rule:—Divide the amount of £1 for 1 year at the given rate of interest raised to the power represented by the number of years, minus 1, by the next higher power of the amount of £1 for 1 year at the same rate, minus the amount of £1 for 1 year raised to the power represented by the number of years.

This may be simply worked by aid of logs as follows:—

Log 1·07	= 0·0293838
Multiply by 7 for 7th power . .	7
	0·2056866
1·605782 equals number corresponding to log	0·2056644
	222
	216
	60

1· subtracted.

·605782 equals value of numerator.

Log 1·07	= 0·0293838
Multiply by 8 for 8th power . .	8
	0·2350704
1·718187 equals number corresponding to next lower log and difference .	0·2350484
	220
	202
	180

1·605782 equals 7th power of 1·07 as found.

·112405 equals value of denominator.

Denominator.	Numerator.	Quotient.
·112405)	·605782	(5·389

and this quotient 5·389 is the present value of £1 per annum for 7 years at 7 per cent., as given in Inwood's Tables, as a comparison will show.

80. **Value of an Annuity yielding Interest on Capital at any Rate of Interest, and replacing Capital invested at Lower Rates.**—The table to be considered now is that given on pages 116 to 121f, Inwood's Tables.

The nature of the table is discussed on page 18 of the Introduction, and examples of its formation are given on page 226 of that book.

All that the candidate requires to know may, of course, be gained by a careful study of those pages, and he is recommended to avail himself of the help they will afford. In a previous part of this chapter it is indicated how the table, "the amount of £1 per annum," was formed, and it was pointed out that the interest on £1 for 1 year at any given rate might be written as £·05 for 5 per cent. on £1 for 1 year; £·04 for 4 per cent. on £1 for 1 year; £·03 for 3 per cent. on £1 for 1 year, and so on.

You are reminded of this because the table under notice is concerned with these considerations.

If we purchase a property for £1 and have to put by a sinking fund annually to repay or provide that £1 at the end of 7 years when the term expires, we must put by annually the sum which with its accumulated interest will amount to £1 in 7 years. The property, therefore, for which we give £1, to provide for the return of capital alone, should return annually that sum.

Now supposing the amount of £1 per annum at any given rate for any given period to be £5, then the amount per annum which will, if put by at the same rate and for the same period, produce £1 must be $\frac{1}{5}$ of £1 or £·2; consequently if we divide £1 or unity by the amount of £1 per annum for any given period at any given rate, we find the amount which put by annually at the same rate and for the same period will produce £1. Doing this, we find the annual sum which a property must be producing in order that the whole income invested as received each year will produce £1 in the given period at the given rate. But then, as the object of purchasing properties is to gain interest on the money invested, whatever annual interest we require beyond just sufficient to meet the annual sinking fund must be added to the foregoing. Suppose that we require 5 per cent. for our money invested (in this case assumed to be £1), that the reinvestment is at 3 per cent. and the period 7 years, then the property must return £·05 per annum plus the annual sum which, put by each year as it is received at 3 per cent., will amount in 7 years to £1, or, in other words, it must return £·05 per annum to pay the interest, and so much in addition per annum that that additional sum, invested each year as it is received, will at 3 per cent. amount to £1 in 7 years, to provide the sinking fund.

What we see so far, then, is:

(*a*) We may find the sinking fund or annual sum which must be put by at any given rate for any given period to provide £1, by first calculating the amount

of £1 per annum at the same rate and for the same period and then dividing unity by the result.

(*b*) That by adding to the sinking fund so calculated the amount of 1 year's interest on £1 (the capital supposed in the example to be invested) at the agreed rate of interest, £·03 for 3 per cent., £·04 for 4 per cent., £·05 for 5 per cent., and so on, we obtain the annual income which a property must return in order that it may be worth £1 having regard to the term for which it will be enjoyed, the rate of interest required on the investment, and the rate of interest at which the sinking fund can be accumulated.

Then, from the consideration that if a property must return say £·5 per annum in order that it may under all the circumstances be worth £1, by dividing unity by the annual income obtained, as last mentioned, we find the number of £s or years' purchase which may be given for a property returning £1 per annum under all the same circumstances. Thus if a property returning £5 per annum is worth £10, the value of a property returning £1 per annum is $\frac{1}{5}$ of £10, or £2.

Finally, we get this rule :—Divide unity by the amount of £1 per annum for the given period at the given rate to obtain the sinking fund, add to this a year's interest on £1 at the given rate, and divide unity by their sum to obtain the years' purchase which may be given for an annual income of £1 under all the circumstances.

EXAMPLE.

The Amount of £1 per annum for 7 Years at 3 per cent. $= £7 \cdot 66246$, *and* $£\frac{1}{7 \cdot 66246} = £ \cdot 130506$.

Referring to the Sinking Fund Table, page 110 of Inwood's Tables, we find this verified, for there the sinking fund for providing £1 in 7 years at 3 per cent. is £·130506. Assuming 5 per cent. to be the interest required on the investment,

we must add to this £·130506 £·05, which gives £·180506. Again dividing unity by £·180506, we obtain 5·54 or the years' purchase.

Thus we find that when the term is 7 years, the investment is to be at 5 per cent., and the reinvestment at 3 per cent., 5·54 years' purchase of the net annual income may be given. This result may be verified by turning to the table on page 120 of Inwood's Tables.

CHAPTER V.

GENERAL INTRODUCTION.

81. General Introduction to Valuation. 82. Capital Value. 83. Value from the Investment Point of View. Object of Investment. 84. Basis and Method. 85. Selling Price not a Criterion. 86. Points on which the Valuer should be satisfied. 87. Some Points affecting Value. 88. Fee Simple Interests—Interminable Estate. 89. Terminable Estate. 90. Sinking Fund. 91. Points governing Years' Purchase. 92. Outgoings. 93. Capital Deductions. 94. Points on which Exact Information must be Forthcoming. 95. Matters within the Valuer's Province. 96. Premiums and Renewal Premiums. 97. Outlay on Repairs. 98. Improvements. 99. Outlay on Property and Premium : Distinction of Cases. 100. Property already Leased at a Reserved Rent, a Premium having been Paid. 101. Security for the Fulfilment of Covenants. 102. Capital Value of Fines in Perpetuity. 103. Income Equivalent to Capital Invested. 104. The Special Table : Interest on Reinvestment at Lower Rates than that on Investment. 105. Sitting Rents and Annual Equivalents. 106. Responsibility for Future Outlay. 107. Copyhold Estate. 108. Difference in Value between Freehold and Copyhold Property. 109. Copyhold—How Valued. 110. Annual Value for Rating Purposes. 111. Tithe Rent Charge—Redemption of. 112. Land Tax Redemption. 113. Land Tax—When Dealt With as an Annual Outgoing. 114. Land Tax—When Dealt With as Capital Deduction. 115. Increment, Reversion, and Undeveloped Land Duty. 116. Safeguard to Accuracy. 117. Worked Examples, with Notes on Questions and Solutions.

81. The object of the present chapter is to convey a first general idea of Valuation as a whole, before proceeding to the consideration of the subject in full detail.

There is no better way of attaining the object than by giving examples of hypothetical valuations, from which all detail has been expunged. In this way clear examples can be given, and at the same time the mind is left free to devote its attention entirely to the principles involved.

Before considering examples, however, there are one or two points on which it is necessary we should have a good understanding, which we will attempt briefly to elucidate.

82. **Capital Value.**—Making a valuation of a property

involves finding what capital sum a purchaser should pay for it, or what the particular estate or interest is worth in a lump sum of money, at a given date.

83. **Value from the Investment Point of View.**—Value is usually to be understood to be value from the investment point of view. The investor's object in buying property is:—

(*a*) To find a safe security for his capital which he may withdraw again, when he pleases, by selling out.

(*b*) To secure interest on the money he invests, and so make it productive.

84. **Basis and Method.**—Property may be valued on the basis of the rental value of the land at per square foot, or per foot frontage of given depth, plus the cost, or value, of the buildings on the land, when, but only when, the value found in this way is the same as that which would be found if the valuation were based on the income to be derived from the property, considered in conjunction with the period for which it will be enjoyed. That is, unless it is a special case in which value from the ordinary investor's point of view is not required.

85. **Selling Price not a Criterion.**—The price at which a property is selling may only be accepted as a criterion of value when that price bears full investigation and is borne out by a proper valuation on the basis of net average annual income. There are properties in plenty which change hands at far more or far less than their value.

86. **Points on which the Valuer should be satisfied.**—It is a common error to think that the value of a property is necessarily what it will sell for at any particular time. We need rather, as far as that can be,

(1) to know the average price at which it will always sell ; and

(2) to be satisfied that the net average annual income will always be sufficient to pay the interest on investment, and, where that applies, provide the annual contribution to the sinking fund.

When a price is paid for property which is more than the value from the ordinary investor's point of view, then the purchaser pays more than the value as usually to be understood.

87. **Some Points affecting Value.**—The tenure, nature, and class of property to be valued may be very various, and such root matters, as well as every incident and all circumstances relating to property, must obviously affect value.

88. **Fee Simple Interests — Interminable Estate.** — When property valued is held in fee simple (§§ 12, 124, 125), and the estate or interest is not therefore terminable, the property always remains with the owner to secure his capital invested in it, and no question of providing a sinking fund (§ 69) is involved. The continuance of the estate and the maintenance of the income must not, however, be confused.

89. **Terminable Estate.**—When the estate or interest is terminable, the valuer must take that fact into account and a sinking fund must be provided (§ 67).

90. **Sinking Fund.**—The sinking fund is provided in the Valuation Tables which are used in making the final calculations. The construction of the tables will be found fully discussed in Chapter IV.

For the present it is sufficient to say that capital value is found by multiplying the net annual income arising from the property by the number representing years' purchase (§§ 6, 67), taken from the tables, and that the years' purchase has been calculated in such a manner that the capital value so found is such that the net annual income is sufficient to meet the interest on investment, and to provide the annual contribution to the sinking fund (§ 67) necessary to produce the capital sum within the period for which the estate or interest in the property will endure.

91. **Points governing Years' Purchase.**—The years' purchase to be given for a net annual income arising from a terminable property must necessarily depend upon

(*a*) the nature of the property and the interest required on investment;

(*b*) the interest at which the sinking fund can be accumulated; and

(*c*) the period for which the property will be enjoyed.

The foregoing are essential factors (§§ 8, 9, 120 on).

The rate of interest a purchaser should expect to receive on the capital invested must necessarily depend on the class of property, and its desirability or otherwise. Every single incident tending to make a property more or less desirable must affect the rate of interest to be expected on investment. (See Chapter VI.)

92. **Outgoings.**—In the great majority of cases valuations are based on the net average annual income which will go into the owner's pocket (after he has paid all outgoings, and after allowing for all losses he may incur in regard to the property), considered in conjunction with the number of years that income will be enjoyed.

The nature of the deductions which must be made from the rent arising from a property in order to find the average annual amount which will find its way into the owner's pocket must necessarily depend on the terms of the letting from which the rent arises. It is a question of what outgoings are borne by landlord and tenant respectively. It is only in the light of such information that proper deductions can be determined (§§ 175, 378).

93. **Capital Deductions.**—When a capital sum based on net annual income has been found, that does not necessarily represent value. To find value we may have to make capital deductions for any lump sum outlay which the purchaser of the property might be called upon to make after purchase, such as cost of putting property in repair, making necessary alterations or additions, redeeming land tax or tithe rent charge, making roads and sewers, or meeting the charges of local authorities for such work, expense of redeeming fixed charges, reversion or incre-

ment value duty which would have to be paid on the falling in of leases or on redisposal of the property, and the like.

In any case in which the development of an estate is involved, as well as the actual cost of road making, etc., all solicitor's and surveyor's fees and agent's commission, for letting or selling building plots, to be incurred by the owner, and the interest on capital during unproductive periods must be the subject of deduction (§§ 176, 379).

There is a direct relationship between the income derived, considered in conjunction with the period for which it will be enjoyed, and the capital value; and if we divide the capital value by the net annual income, we shall find out how many times the latter has been taken to represent the former, or, in other words, how many years' purchase of the income has been taken to represent the capital value. Similarly, if we divide capital value by the years' purchase for any given term at any given rate of interest, we obtain the net annual income which should be received from the property to pay that interest, and, if a terminable estate is involved, provide the necessary sinking fund.

94. **Points on which Exact Information must be Forthcoming.**—Exact information on the following points must be forthcoming before a valuation can be made :—

(*a*) The tenure, nature, and incidents of the property to be valued, and whether the estate valued is the present interest, the reversion, or, in the case of lifehold, a contingent interest.

(*b*) The exact period for which a purchaser of the property would enjoy it.

(*c*) The rentals received from the property and the outgoings, including all losses, to give the average annual net income which will be received from the property during the whole period of enjoyment.

(*d*) The rate of interest which shall be received on the capital invested.

(*e*) The rate of interest at which the sinking fund (assuming a case in which a sinking fund is involved) can be accumulated.

(*f*) The amount of any capital deductions which it may be proper to make.

(See Chapter VI.)

95. **Matters within the Valuer's Province.**—Besides Valuations proper, there are many questions which come within the valuer's province, and as several of these may be involved in Valuation proper, which is what we are outlining, it may clear the ground if we enumerate the chief of them, and briefly indicate their application. (See Chapter VII. for Worked Examples.)

They are as follows :—

The calculation of

(*a*) Premiums (§ 182, Q. 46) to be paid for leases granted at rentals below the rack rental.

(*b*) The equivalent of a given annual value in rent reserved on a sliding scale over given periods of the full term.

(*c*) Renewal premiums (§ 182, Q. 47), or the sum to be paid for renewing leases or replacing lapsed periods.

(*d*) The capital value of fines payable periodically for renewing leases in perpetuity (§ 182, Q. 21A).

(*e*) The net income which a property to be enjoyed for a given period should produce, in order that it may pay a given rate of interest on the capital invested in it (§ 182, Q. 45).

(*f*) Sitting Rent (§ 182, Q. 39), or the rent which a lessee virtually pays, having regard to the rent he actually pays as rent, considered in conjunction with capital outlay which he has made, in the payment of premium, in carrying out alterations or additions to the property, or the value of an interest surrendered by him in taking up a new or a renewed lease.

(*g*) Copyhold Enfranchisement consideration, or the cost of converting a copyhold property (supposing one which may be enfranchised compulsorily) into freehold. This is needed both in connection with actual enfranchisement, and in valuing such copyhold properties (Chapter IX.).

(*h*) Annual value for rating purposes—Gross and Rateable or Gross Estimated Rental and Net Annual Value, as defined by the Statutes (Chapter XI.).

(*i*) The price to be paid for redeeming Tithe Rent Charge, or the cost of redemption, including costs (§ 111, and Chapter VI. § 176).

(*j*) The price to be paid for redeeming Land Tax, or the cost of redemption, including costs (sec. 112, and Chapter VI. § 176, and Chapter X. § 379).

(*k*) Duties under the Finance (1909-1910) Act 1910 (Chapter VIII. §§ 183-283).

We must now consider very briefly each of the points involved in the eleven preceding paragraphs.

96. **Premiums and Renewal Premiums.**—Premiums and Renewal Premiums have already been defined (§ 10).

The payment of a premium or renewal premium would imply (although it would not of course be accepted as proof) that the rental value of the property is, or was when the lease was granted, more than the rent reserved in the lease for which the premium was paid; and it would also be implied that the excess of annual value, at the time when the lease was granted, over the rent reserved is represented by the annual equivalent of the premium calculated at some suitable rate of interest, say 5 per cent.

When we capitalise an annual income we multiply it by the years' purchase taken from the tables, the table selected depending on the length of term and the interest on investment and reinvestment. Accordingly when we have the capital sum given to us and we wish to find the annual equivalent, we simply divide it by the years' purchase.

The premium is of course the capital equivalent of the annual rent commuted, and the annual rent commuted is the annual equivalent of the capital sum or premium. To find the annual equivalent, then, of a premium paid, we divide the premium by the years' purchase for the given term at some equitable rate of interest, say 5 per cent. (For Worked Examples see Chapter VII. §§ 46, 47, 48, etc.)

Renewal premiums must be spread over the period for which the lease is extended, and as there is, in this case, some term unexpired, in order that the lessee renewing may receive credit for the estate or interest he surrenders, the extension must be reckoned as after that unexpired period. Thus, if a lessee, who had originally a forty years' lease, of which thirty years are expired, renews, he purchases a further interest in the property for thirty years after ten years. Consequently, to find the annual equivalent of the premium paid for renewal, the renewal premium is divided by the years' purchase for forty years minus the years' purchase for ten years, which gives the years' purchase for thirty years after ten years. The same rate of interest would be adopted for the two periods involved (Chapter VII. § 48, etc.).

It might be that an inference of annual value drawn from the fact that a premium had been paid would be misleading. The lessee might have been badly advised in paying the premium and rent, the premium and rent reserved might have been too high or too low, or the property might have changed in value since the grant of the lease.

The bare fact that a premium was paid proves nothing, but only affords information from which an inference may be drawn, which should be supported before being accepted (Chapter X. § 367).

97. **Outlay on Repairs.**—When a lessee takes property in a bad state of repair, he paying for the reinstatement out of his own pocket, and undertaking to keep the property in repair, it is, from his point of view, equivalent to paying

a premium. He pays a capital sum at the commencement of the tenancy, as well as the reserved rent periodically during his tenancy. Such an outlay does not increase the annual value of the property, which is what a tenant should pay for it if in proper repair. In fixing the reserved rent the proper annual equivalent of the outlay necessary should be made.

When the outlay is a large one it may be necessary also to take into account the loss of rent pending the execution of the work.

98. **Improvements.**—If a lessee takes premises on lease at a fair rent for them as they stand, and carries out permanent improvements, as soon as the work is done there is an inference that the property is worth more rent than that which he pays, for the presumption is that the outlay has increased the annual value. But it does not follow as a matter of course that the outlay has increased the value at all, nor that if it has increased the value, that it has done so to the extent of the annual equivalent of the outlay based on the term of his lease. If the money has been wisely laid out it ought to have increased the value, but whether there has been increase, and, if so, its extent, are questions of fact.

It might be proper to take some suitable rate of simple interest on the outlay as the annual return, or it might be that the lessee only made the outlay because he saw that there would be an increase in the rental value which would pay him interest on his investment, and also provide a sinking fund to replace his capital within his term, in which case the improvement in annual value would be found by spreading the amount of outlay over the term as in the case of a premium (Chapter VII. § 182, Q. 50).

An outlay on permanent improvements by a lessee who has only a comparatively short term is of value to the reversioner, who reaps the benefit when the lease falls in; but where the term is a long one there is little or no advantage to accrue to him.

99. **Outlay on Property and Premium: Distinction of Cases.**—The effect of an outlay by a lessee in improvements is different from the payment of a premium from the landlord's point of view, for in the first case he, the landlord, only derives direct benefit from the outlay (if we assume it increases the annual value) after the expiration of the lessee's interest, whereas in the case of the premium the landlord derives the benefit immediately on the receipt of the sum paid. Indirectly, however, the lessor is benefited by any outlay which increases the annual value because of the effect it has of increasing the security for the payment of his rent and the fulfilment of the lessee's covenants.

100. **Property already Leased at a Reserved Rent, a Premium having been Paid.**—It should be noted, too, that where a property has already been leased at a low rent because a premium has been paid, a purchaser of that property will receive only the low rent so long as the lease lasts, and it is not until after its expiration that he can release at the full rental value.

101. **Security for the Fulfilment of Covenants.**—It might also be noted that where part of the rental has been commuted and a premium paid, the reduced rental reserved, particularly if it is much less than the rack rent, is well secured. The fact that the lessee has a valuable interest for which he paid the premium is security for the rent and fulfilment of his other covenants, and, if he should fail, forms a guarantee that the lessor, who might eject, will not be the loser. The fact that it is a well-secured income will affect the capital value of the lessor's interest, and make it more valuable.

There are other considerations for and against taking premiums which will be found discussed in Chapter VII. The considerations there discussed are outside the range of what is useful for our present purpose (§ 182, Notes on Solution to Q. 28).

102. **Capital Value of Fines in Perpetuity.**—For our present purpose it is sufficient to note that if a property is

held on a lease which may be renewed in perpetuity subject to the payment of nominal fines periodically, except so far as the tenure is concerned, and except for any liability under the covenants of lease, the property might be valued as if freehold in the first instance, the sum necessary to provide for the payment of the periodical fines in perpetuity being subsequently deducted as a capital deduction, to find the value of the perpetual lease (Chapter VII. § 182, Q. and A. 21A).

The manner in which the calculation of the capital equivalent of the fine is made can only be understood after some advance has been made with the study, and it is sufficient now for the student to note generally how the case would be treated. The subject is fully discussed with detailed examples in Chapter VII.

103. **Income equivalent to Capital Invested.**—Income must be sufficient to meet interest on investment and provide the annual contribution to sinking fund. The net income which a property must return to pay a given rate of interest on the capital invested in it is arrived at in the same way as the annual equivalent of a premium, viz., by dividing the capital sum by the years' purchase (Chapter VII. § 182, Q. and A. 45) for the given term at the given rate of interest.

It may be as well to note that a table calculated on the basis of the sinking fund accumulating at the same rate of interest as that paid on investment, is not a suitable one to use in all cases, especially if the rate of interest on investment is a high one, because it is improbable that the sinking fund could in fact be accumulated at a high rate.

104. **The Special Table—Interest on Reinvestment at Lower Rates than that on Investment.**—In the outline examples which follow in this chapter, it will be seen that in some cases a table calculated on the basis of the sinking fund accumulating at a lower rate than that paid on investment has been used. What has been said (paragraph 2, § 103) is sufficient to enable the reader to

gather the reason for this. The point has been fully dealt with in Chapter IV.

105. **Sitting Rents and Annual Equivalents.**—Sitting rent has already been defined in Chapter II. § 37. It may be more fully explained here as the sum arrived at by adding to the reserved rent (Chapter II. § 36) the annual equivalent of

(*a*) any premium paid,

(*b*) the cost involved in any capital outlay on the property by the lessee in putting premises in repair at the commencement of the lease, or in carrying out permanent alterations or additions to the property, and

(*c*) the annual equivalent of any valuable interest in a lease surrendered when taking up a new lease.

106. **Responsibility for Future Outlay.**—Where a lessee covenants to expend money on the property at some future period, the liability being incurred, the present value of the outlay to be made, having regard to the years to elapse before it is actually required, should be spread over the whole term granted by the lease. Suppose the expenditure is not to be actually made until seven years after the commencement of a twenty-one years' lease, the present value of the outlay should be spread over twenty-one years, and the result will be an item in the rent at which the tenant sits.

The present value of a sum of money to be received at a future date is the sum which, if put by and allowed to accumulate at some given rate of interest, will, with its accumulated compound interest, amount to that sum by the given date.

Comparatively small sums to be accumulated, especially when they have to be provided in short periods, could not usually be accumulated at more than 3 or $3\frac{1}{2}$ per cent. interest.

The point will only be fully appreciated by those who

have carefully studied Chapters III. and IV., but the explanation here given will enable the reader to follow the reason of such items where they occur in the outlined examples of this chapter.

107. **Copyhold Estate** (see Chapter IX.).—It will have been gathered from the definition of copyhold (Chapter II. § 45, also Chapter IX.) that there are several kinds, and that, with the exception of copyhold for life, lives, or years without right of renewal, the copyhold tenant is really the owner of a valuable interest which cannot be taken from him so long as he complies with the customs of the manor of which the property is part.

108. **Difference in Value between Freehold and Copyhold Property.**—In the case of copyhold of inheritance and copyhold held for life or lives, or for years with the right of renewal, except perhaps under some rare circumstances which we need not discuss here, the copyholder may, under the Copyhold Act 1894, compel the lord of the manor to enfranchise, the effect of enfranchisement being not only to free the copyhold of the burden of the fines, heriots, rents, and restrictions, but to give the enfranchising copyholder the freehold in fee simple. This being so, the difference in value between such copyhold and freehold property may be said to be the cost involved in enfranchising, or the amount of compensation due to the lord of the manor, plus the steward's fees and the costs (see Chapter IX.).

109. **Copyhold—How Valued.**—Copyhold of the class mentioned in § 108 may be valued by first calculating the value as though the property were freehold and then deducting the cost involved in enfranchising, including the compensation to be paid to the lord of the manor, the steward's fees, and all the expenses.

It would be quite out of place at this juncture to discuss the matter fully; it will be found amply dealt with in Chapter IX. What has been said is quite sufficient to enable the reader to follow the reason of certain steps in some of the outline examples which follow in this chapter,

and to serve as an introduction to the method of valuing copyhold estate.

110. **Annual Value for Rating Purposes.**—In this case we are concerned not with valuing property or arriving at the capital sum which might be given for it, but in making an assessment of its annual value for rating purposes. The annual values to be found may be said to be statutable values, since they have to be calculated on a basis laid down by Act of Parliament. Two values have to be found—the "Gross Estimated Rental" or "Gross," and the "Net Annual Value" or "Rateable" (Chapter XI. §§ 440 and 450).

It is not a difficult branch of the subject, but will be better understood after the general principles of Valuation have been studied; and as it does not enter into Valuation proper to any great extent, its further consideration has been reserved for Chapter XI., to which the reader is referred.

111. **Tithe Rent Charge—Redemption of.**—Tithe Rent Charge is better treated as an annual deduction, although it may be redeemed when a sufficient number of owners in any district combine to petition the Board of Agriculture. The redemption money is ascertained by a valuer appointed by the Board, and this sum plus 25 per cent. of the amount ascertained, to cover costs, has to be paid by the owner redeeming. The tithe rent charge would probably be capitalised at about twenty-five years' purchase.

112. **Land Tax Redemption.**—The method of treating the item of Land Tax must differ with the circumstances of the case.

Where fully developed property subject to land tax is situate in a district which is largely undeveloped, it is wiser not to redeem, because, as the district develops, the amount payable on each property in that district is reduced, there being a fixed quota of tax to be levied over the whole district on the basis of annual value. As the annual values

of certain properties increase, the tax payable on other properties decreases, because the rate in the pound necessary to cover the whole quota is reduced.

113. **Land Tax—When Dealt With as an Annual Outgoing.**—In valuing a property subject to land tax in circumstances such as those detailed in § 112, it would be better to treat the tax as a deduction in finding the net annual income (§ 39).

114. **Land Tax—When Dealt With as a Capital Deduction.**—Where property is undeveloped, or improvements are contemplated which will increase the annual value, especially if the increase in value brought about by the improvements will be considerable, and in a more marked degree still if in addition to this the district is fully developed, it is quite necessary to redeem before the improvements are made. The cost of redemption is thirty years' purchase of the land tax, plus 25 per cent. of the amount so found for expenses.

Under such circumstances, in valuing a property subject to land tax, that incident should be treated in the form of a capital deduction equal to thirty times the land tax plus 25 per cent. of the sum so calculated for expenses. The fee of any valuers employed in connection with the redemption should also be added to arrive at the actual expense involved.

115. **Increment, Reversion, and Undeveloped Land Duty.**—For the present chapter it is sufficient to say that in any case in which a purchaser would be likely to incur expense in the payment of Undeveloped Land Duty, or in Reversion Duty on a reversion falling in to him, or in Increment Value Duty on his selling and disposing of his interest, the present value of the amount to be incurred should be deducted in valuing the property.

Undeveloped Land Duty being an annual outgoing would be so treated in ascertaining the net annual income. The other duties, where it is necessary to take them into account, will be the subject of capital deductions.

Duties under the Finance Act are dealt with in Chapter VIII.

The foregoing remarks will have placed the reader in a position intelligently to follow the outline examples to which we now pass, and to appreciate the reasons for the several steps taken, and the nature of the items involved.

In future chapters the solutions of the questions will involve arriving at all the items which are supplied ready calculated in these outline examples, the object of omitting all detail in the present case being to leave the reader free to direct the whole of his attention to the method of valuation, and the order and manner in which those items are treated.

116. **Safeguard to Accuracy.**—One more word may be added as to the importance of cultivating the habit of setting down the whole of the work in a thoroughly methodical manner. Once acquired, this is one of the greatest safeguards against mistakes. A careful perusal of the examples in this and subsequent chapters will do more to help the reader in this respect than would the reading of any amount of direction.

117. The questions and outline solutions which follow will complete our general introduction to the subject.

Mere Valuation examples without full comment on both the questions and the solutions are almost if not quite useless to students. Each case therefore will be followed by notes which will elucidate the question, and explain every step in the solutions.

It will be noted that many of the questions which follow have been shown, by the notes on them, to be vague. It might be thought that it would have been better to propose very definite questions in the first place, but that is not so, for to train the mind to note what is material, and to appreciate the points necessary to be known, is a matter of the greatest importance.

The reader should refer back to §§ 81 to 117, and in following the examples now given should note the application of them.

Question 1.—What is the Value of a Freehold Ground Rent of £10 per annum Excellently Secured on First-Class Property, assuming it to be a 3 per cent. Investment? The Lease is 65 Years Unexpired, and the Property Lets at £100 per annum on Lease.

Notes on Question.—Here we have the most simple case. The purchaser will have £10 per annum in perpetuity, or for ever, and the rate of interest is fixed for us at 3 per cent.

The solution will be as follows:—

Solution.—*Freehold ground rent 3 per cent.*

£10 per annum in perpetuity
= £10 × 33·333 years' purchase.
Present value . . = £333 6 0

Notes on Solution.—(1) The annual income from a freehold ground rent is regarded as a net average annual income (§ 39), although, of course, the freeholder might suffer occasional expense.

(2) The 33·333 years' purchase are given to you from the Valuation Tables.

(3) Being an interest in fee simple (§ 12) no question of providing a sinking fund (§ 11) arises, consequently all that is required is that the net annual income shall represent 3 per cent. simple interest on the capital invested.

(4) It may be noted that we could well do without consulting the tables for the years' purchase.

For example.—The annual income is to equal three one-hundredth parts of the capital, or 3 per cent. on capital, and we may therefore state:—

$$\text{Annual income} = \frac{3}{100} \text{ of capital.}$$

$$\text{Annual income} \times \frac{100}{3} = \text{capital}$$

= Annual income × 33·333 years' purchase, as above.

(5) You have not been left to decide the rate of interest to be expected on investment: that has been dictated by the question.

(6) The reversion to the rack rents has been disregarded because the lease does not fall in for 65 years. A reversionary interest so remote cannot be taken into account, consequently the ground rent is valued in perpetuity.

(7) Had the term unexpired been shorter, say 30 years, the ground rent would have been valued over 30 years, and the full net annual

income (§ 139) arising from the rack rents, in perpetuity after 30 years, would have been capitalised and added to the value of the ground rent for 30 years, unless the age of the buildings partly securing the rack rent rendered that course incorrect.

Question 2.—What will be the Value of the Property mentioned in the Last Question (1) in 40 Years' Time?

Notes on Question.—(1) Assume in calculating the reversionary interest it is a case in which the investment ought to pay 6 per cent. The property will be getting old when the reversion falls in. That is a point which decreases value, and which inclines us to increase the rate of interest on investment.

(2) The question does not say, but possibly the original lease was for 99 years, and it may be that when the reversion falls in the property will not be in a condition to justify our now valuing the rack rents in perpetuity. In such circumstances the rack rents should be taken for the term which it is estimated the property will last, and the ground rent then obtainable should be taken in perpetuity after that term. The question does not give sufficient particulars to enable us to value on those lines. In practice we should have the opportunity of visiting the premises and deciding such all-important points.

(3) The rent on lease is stated (Question 1) to be £100. Under the ordinary lease the tenant pays all outgoings, but the lessor is liable to losses. Assume the net average annual income would be £97 per annum.

(4) When the reversion falls in in 25 years (there will still be 25 years unexpired "in 40 years' time"), the reversioner will have to pay reversion duty, and there may be other capital outlay then. Assume the present value of this is £40.

Solution.—£10 per annum for 25 years at 3 per cent. = £10 × 17·413 years' purchase = £174 2 0

£97 per annum in perpetuity after 25 years at 6 per cent. = £97 at (16·666 years' purchase − 12·783 years' purchase) = £97 × 3·883 . = 376 13 0

= £550 15 0

Present value of estimated amount to be paid in Reversion Duty in 25 years' time, and other capital outlay . . . . . = 40 0 0

Present value . . = £510 15 0

Notes on Solution.—(1) The years' purchase used in the solution are taken from the tables. The number used in the second item is found from the years' purchase given in the tables, by subtraction as indicated, or by reference to the table—"The Present Value of the Reversion of a Perpetuity of £1" (page 98, Inwood).

(2) While the ground rent is the income, that is very well secured, hence 3 per cent. table being adopted.

(3) The rent paid even by a tenant holding on repairing lease can hardly be considered as synonymous with net annual income, and a deduction has to be made for contingencies, hence £97 per annum being taken as net annual income.

(4) The amount named as the estimated present value of the Reversion Duty payable on the lease falling in in 25 years' time, and other possible capital outlay, must for the present example be accepted as correct.

(5) With regard to the second item in the valuation, it is a question whether the rack rent should be valued as being receivable in perpetuity, as the property must be getting old; but in the absence of sufficient particulars in the question, it has been assumed that it is a case which may be so treated.

Question 3.—What is the Value of the Leasehold House referred to in the Last Question (2)?

Notes on Question.—(1) From the question we gather that the property is subleased or will sublease at £100 per annum. It does not appear whether it is already subleased, or, if so, for what term. We are forced to assume something on this point—assume it is subleased to a good tenant for a short term.

(2) The lessee will have to pay the ground rent of £10 per annum, and it can hardly be that he will not have some losses during the 25 years unexpired in the lease. Assume the net annual income is £87.

Solution.—£87 per annum for 25 years at 7 per cent., reinvesting at 3 per cent.

= £87 at 10·264 years' purchase . . = £892 19 0

say, = £893 0 0

Notes on Solution.—(1) The ground rent is small in proportion to the rack rental value, and this is a good point; but the lease is a very short one, and that is a bad point. It is difficult to borrow money on the mortgage of short leaseholds. Assume having carefully weighed these and other incidents you have decided it is an investment which should pay 7 per cent.

(2) This being a leasehold interest the provision of a sinking fund is involved. This is done through the medium of the valuation table used (§ 86).

(3) The ordinary 7 per cent. table is calculated on the basis of the sinking fund being accumulated at the same rate of interest as that paid on investment. It is not likely that the sinking fund could be accumulated at 7 per cent. Three per cent. is more probable, so we consult the special table which gives the years' purchase for

7 per cent. on investment and 3 per cent. on reinvestment. This gives 10·264 years' purchase.

(4) It is likely that the lessee will have to meet some expense when the lease falls in, but as that is 25 years deferred, and in the absence of further particulars, no capital deduction has been made.

Question 4.—What is the Fee Simple Value of Property which Lets at £90 per annum to a Yearly Tenant?

Notes on Question.—(1) The particulars given in the question leave us very much in the dark as to various matters we should know. The chief of these are :—

(1) Is the property let or is it standing empty?
(2) Does the property let readily at the rent stated?
(3) Is the rent likely to be maintained?
(4) What is the condition structural, sanitary, and decorative, at the present time?

(2) We must know something definite on these points before we can make any attempt at a valuation. Assume the property is let to a good substantial tenant, and that it is in a rising rather than a falling district, that it is in fair condition, but that to put it in good repair would cost £50.

Solution.—

Rent on yearly tenancy per annum . .	= £90 0 0	
Deduct average annual outgoings which fall on the landlord, including cost of repairs, fire insurance premium, and allowance for contingencies, which assume amount to . .	= 14 0 0	
	= £76 0 0	
£76 per annum in perpetuity at 5 per cent. = £76 at 20 years' purchase . . .		= £1520 0 0
Capital deductions for repairs now required .	= 50 0 0	
Present value of freehold . .		= **£1470 0 0**

Notes on Solution.—(1) The amount of deduction to be made from the rent paid by the yearly tenant to arrive at net annual income is a question of known fact, or it is estimated with a full knowledge of the position of the parties, having regard to the terms of the letting. The £14 is given here as the supposed necessary deduction. The question of deductions is fully discussed in Chapter VI. § 175. For our present purpose we wish to avoid

detail, and the student had better simply accept the £14 as the actual amount which is involved.

(2) It has been assumed to be a desirable freehold investment, and 5 per cent. has been taken to be a fair rate of interest for a purchaser to expect in this particular case.

Question 5.—What is the Fee Simple Value of a Property which Lets at £90 per annum to a Yearly Tenant?

Notes on Question.—(1) Here we have the same question as No. 4, but, as was pointed out in the notes on that question, it leaves us in the dark with regard to important factors.

(2) Instead of taking the assumed answers to our inquiries on those points in that case to apply here, suppose the property is unoccupied, that it has recently been put in good repair for letting, that it does not let very readily, and that probably half a year's rent will be lost before a tenant is found. Likewise assume the property is rather old, and the neighbourhood is fairly stationary rather than improving.

(3) The circumstances being different, the value of the property is affected, and the steps in the valuation must necessarily be varied to meet the circumstances.

Solution.—

Rent on yearly tenancy per annum . .	= £90 0 0	
Deduct average annual outgoings	= 18 10 0	
Estimated net annual income per annum . . .	= £71 10 0	
£71·5 per annum in perpetuity at 7 per cent = 71·5 × 14·286		= £1021 8 0
Estimated loss of rent pending letting . .		= 45 0 0
Present value . .		= £976 8 0

Notes on the Solution.—(1) The circumstances here are not so rosy as they were in the last case. The property is described as rather old, and the average annual cost of repairs would probably be more. The district is not an improving one, and the house is unoccupied:

There is no immediate income from it. Therefore 7 per cent. has been assumed to be the proper table on which to capitalise the estimated net annual income.

(2) As well as the average annual allowance for contingencies included in the deduction of £14 per annum, a capital deduction representing half a year's rent has been allowed for the loss to be incurred pending letting.

(3) The premises being in good repair, no capital deduction for repairs applies to this case. It will be noted that in the last case £50 was the subject of capital deduction under this head.

Question 6.—What is the Value of a Freehold House which Lets on Repairing Lease for 21 Years at £100 per annum, and Secures a Premium of 100 Guineas?

Notes on the Question.—(1) This is an excellent example in which to point out the importance of having exact information on the points enumerated in Chapter VI., without which, as there stated, it is impossible to make a reliable valuation. It is not quite clear from the question whether or not the premises have been leased or are unoccupied, or if leased the length of the term unexpired. The point is of great importance, because if the property is leased already the premium has been paid, and the reserved rent is all a purchaser could derive from the property so long as the lease remains in force.

If the property is not leased, then it is presumably unproductive, and there may be loss before a lessee is found who is ready to pay the £100 per annum and premium of 100 guineas. At such a rent the loss might be quite considerable.

(2) The question gives no idea of the state of repair at the present time, which is an important factor if the property is not leased, and the repairs would consequently fall on the owner. If it is leased the repairs would, in the ordinary way, fall on the lessee. The substantiality of the lessee is the important factor in that case.

(3) Let us assume the property is not leased, that it is a property which lets readily, and that it requires £120 expending on it for repairs.

(4) Assume it to be a 5 per cent. investment.

Solution.—

Reserved annual rent on lease . . .	= £100 0 0		
Premium for 21 years' lease £105.			
£105 spread over 21 years at 5 per cent. = £105 ÷ 12·821 (years' purchase) .	= 8 0 0		
	= £108 0 0		
Allow for contingencies . .	3 0 0		
	= £105 0 0		
£105 in perpetuity at 5 per cent. = £105 at 20 years' purchase		= £2100 0 0	
Capital deductions—Loss of rent pending letting, say	= £25 0 0		
Cost of repairs .	= 120 0 0		
		= 145 0 0	
Value of freehold . . .		= £1955 0 0	

Notes on Solution.—The question states as a fact that the property will lease for 21 years at £100 per annum rent with 100 guineas premium, and that basis is therefore accepted for the solution.

(1) The annual equivalent of the 100 guineas premium calculated at 5 per cent. is £8. If the premises are let on lease without premium, the owner may expect to obtain £108 per annum rent.

(2) An allowance of £3 per annum has been made for contingencies. This might not be necessary in all cases, but it should be remembered that an owner would certainly not get his rent quite clear always. There would be times when the property would become unoccupied, the lessee's liability for repairs would not probably meet all that a new lessee would require, and the owner would have to meet the difference.

(3) As the premises let readily, only one quarter's rent has been allowed as a capital deduction to meet loss of rent pending execution of repairs and the leasing of the property. The estimated cost of the repairs has also formed the subject of capital deduction.

Question 7.—What is the Value of a Freehold House which Lets on Repairing Lease for 21 Years at £100 per annum and Secures a Premium of 100 Guineas?

Notes on Question.—(1) We are here taking the question just dealt with again, but putting a different construction upon it with the object of deriving benefit from comparison and contrast of the cases.

(2) Let us assume the result of inquiries show that the property is already let, there being 20 years unexpired in the lease, that it is in good repair, and that the lessee is a substantial man and is liable for all outgoings. Also that it is a good letting neighbourhood in which property is improving, and the case is one which may be treated as a 5 per cent. investment.

Solution.—£100 per annum (reserved rent) for 20 years at 5 per cent.

= £100 at 12·462 years' purchase . .			= £1246 0 0
Reserved rent per annum .	= £100 0 0		
Add premium £105 for 21 years' lease, spread over term = £105 ÷ 12·821 .	= 8 0 0		
	= £108 0 0		
Deduct for contingencies, say .	= 3 0 0		
	= £105 0 0		
£105 in perpetuity after 20 years = £105 × 7·538		=	791 7 0
Present value of freehold . .		=	£2037 7 0

Notes on Solution.—(1) In this case the purchaser of the property would receive the reserved rent of £100 per annum for the 20 years unexpired in the lease, after which period he might expect either to lease at £108 per annum or to lease at £100, and take a premium of 100 guineas for a 21 years' lease.

(2) The premises being already leased to a substantial tenant, the

buildings being in good repair, and the lessee being liable for upkeep, no capital deductions are involved.

(3) As the premium only represents an annual equivalent of £8, the reserved rent is not so much less than the rack rent as to make it very specially well secured, and so the 5 per cent. table has been adopted throughout the valuation. Had a much larger premium been concerned, probably the income over the first period of 20 years would have been capitalised on the $4\frac{1}{2}$ per cent. table, that is, on the assumption that the 5 per cent. table would be the proper one for a case similar in other respects, but in which the full rack rent was reserved.

(4) A comparison between this case and the last should be very useful to the student. The difference between the particulars in the two cases and the variation in the steps in the valuation to meet them should be carefully noted.

(5) The calculations are correct to the nearest £.

Question 8.—What is the Value of a Leasehold House held for a Term of 50 Years at a Ground Rent of £10 per annum, Subleased for an Unexpired Term of 5 Years at £100 per annum, and in the Occupation of a Yearly Tenant Who Pays £150 per annum?

Notes on Question.—In this case we notice:

(1) The interest to be valued is leasehold.

(2) The ground rent payable by the lessee is £10 per annum.

(3) The question says the house is held for a term of 50 years. This is not definite—Is this 50 years unexpired? Assume answer to inquiry is in the affirmative.

(4) The property is subleased for an unexpired term of 5 years at £100 per annum, so that the lessee will for that period receive £100 per annum and pay out £10 per annum, which will leave the income at £90 per annum.

(5) When the sublease falls in in 5 years' time the lessee will be able to let the property on yearly tenancy at £150 per annum, and out of this he must meet the ground rent of £10 per annum, and all the outgoings which a landlord usually meets in the case of property let on yearly tenancy, such as repairs, insurance, and contingencies, which for our outline example we will put at £40 per annum.

Solution.—

£90 (£100 − £10) per annum for 5 years at 5 per cent. = £90 at 4·329 years' purchase		= £389 12 0
Rent on yearly tenancy . . .	= £150 0 0	
All outgoings, including ground rent per annum . .	= 40 0 0	
Estimated net annual income .	= £110 0 0	
£110 per annum for 45 years after 5 years at 6 per cent. = £110 × 11·5495 . . .		= 1270 8 0
Present value of lease . . .		= £1660 0 0

Notes on Solution.—(1) The first item in the valuation has been calculated on the basis of the 5 per cent. table, because the income is well secured, the reserved rent being less than the full rack rental value. The second item dealing with the full annual value of the property is calculated on the 6 per cent. table.

(2) The outgoings are given in a round sum as, for our present purpose, we wish to avoid detail.

Question 9.—What Price should be Paid for a Leasehold House Held for a Term of 40 Years Unexpired at a Ground Rent of £15 per annum and which was Sublet 5 Years Ago on a 21 Years' Lease at a Rent of £80 per annum with a Premium of £400?

Notes on Question.—(1) The particulars given in this question are sufficiently definite to enable a calculation of value to be made, if we take it that the statement as to the rent and premium obtainable may be regarded as a safe guide as to what may be expected from the property in the future.

(2) The lease is getting short. The ground rent is not a great burden on the property, being only about one-seventh of the net rental value.

(3) Assume it to be an investment which should pay 6 per cent.

Solution.—£65 (£80 − £15) per annum for 16 years at 6 per cent., reinvesting at 3 per cent. = £65 at 9·123 years' purchase, say . = £593 0 0

Rent reserved in unexpired sublease per annum . = £80 0 0

Premium £400 spread over 21 years at 5 per cent. = 400 ÷ 12·821, say . = 31 0 0

= £111 0 0

Allow for contingencies = £3

Ground rent . . = 15

= 18 0 0

Estimated net annual income = £93 0 0

£93 per annum for 24 years after 16 years at 6 per cent., reinvesting at 3 per cent. = £93 at 4·526 years' purchase, say . . . = £421 0 0

Present value of lease . . = **£1014 0 0**

Notes on Solution.—(1) This being a terminable interest the provision of a sinking fund is involved, and as it is an interest which should pay the purchaser 6 per cent. on his investment, and it is not probable he could reinvest to provide that fund at 6 per cent., the

special table, 6 per cent. on investment and 3 per cent. on reinvestment, has been adopted.

(2) No annual deduction for contingencies has been made in valuing the first item of £65 per annum for 16 years, because the property is already leased for that period unexpired, and the rental value being in excess of the reserved rent by £31 per annum, it is unlikely there would be losses over that period. In dealing with the second item in the valuation, where the calculation is on the basis of the full rental value, an allowance has been made.

(3) It is quite possible the lessee would have to put his hand in his pocket at the termination of the present under lease, as a lessee's liability for repairs seldom meets all that is required for a new tenant; but on the other hand it is possible the present under lessee will renew, in which case the lessee (his lessor) would escape loss in this direction. Considering all possibilities, it has been decided that a capital allowance under this head is not necessary. At the same time these are considerations which should be weighed in dealing with such cases.

Question 10.—Forty Acres of Land at Present Produce £4 per Acre per annum. In 10 Years' Time Half the Land will be Sold at £500 per Acre and Half will be Let on a Building Lease at a Ground Rent of £20 per annum per Acre. Value the Land.

Notes on Question.—(1) In this example we have a case of land in a transitory state, and we are given particulars of what can be done with it. From these particulars we know that:

(*a*) The income will be £160 per annum for 10 years.

(*b*) After 10 years there will be an income of £400 per annum arising from ground rents. But we know that these ground rents cannot be secured for some time after, and we do not learn from the question whether any expenses will be incurred or whether any peppercorn rent will be allowed. Let us suppose from inquiry we gather that the ground rent will not commence to accrue until after 11 years, and that it is indefinite as to how long it will be before all the ground rents are actually secured. It will be building land rather than secured freehold ground rents we are valuing in this item.

(*c*) After 10 years half the land will sell for £10,000. But this sale will not take place without some lapse of time. Let us suppose we conclude that the receipt of the £10,000 should be deferred for 11 years rather than 10 years.

(2) We cannot gather anything from the question as to any expense the purchaser would be put to in connection with road-

making (if any), solicitors', surveyors', and agents' fees, and commissions on sale and letting, and we must therefore leave such items out of the calculations for the present.

(3) The rent at present arising from the land, considered in conjunction with the facts stated as to future dealings with the land, point to its being accommodation land. Let us suppose that is so, and that 4 per cent. is the proper table to adopt.

(4) In calculating the items in the valuation having reference to dealings with the property after the first 10 years, let us suppose 5 per cent. is, under all the circumstances, the correct table to use.

Solution. — Working on the suggested interpretation of the question, the valuation will be as follows:—

£160 per annum for 10 years at 4 per cent. =			
£160 at 8·11 years' purchase . .	=	£1,297	12 0
£10,000 due in 11 years at 5 per cent. =			
£10,000 × ·58468	=	5,846	16 0
£400 per annum in perpetuity after 11 years at 5 per cent. = £400 at 11·69359 years' purchase	=	4,677	8 0
Present value of the land . .	=	**£11,821**	**16 0**

Note.—The workings do not take into account any (if any) outlay on roads, etc., costs, or commissions on sales or leasing, as the particulars do not give particulars.

Notes on the Solution.—(1) The item of £10,000 due in 11 years is the sum which, if put by and allowed to accumulate at 5 per cent., would produce £10,000 in 11 years' time. This is what may now be given for £10,000, which will not be received for 11 years. The other items are annual incomes, and are dealt with as suggested in preceding examples: they have been treated as net incomes.

(2) The Land Duties have been disregarded. But see Chapter VIII.

Question 11.—What is the Present Value of the Reversion to Well-secured Ground Rents Amounting to £300 a Year after the Longest of two Lives now Aged 35 and 55 Years?

Notes on Question.—The important points to note in this case are:—

(1) It is a reversionary estate which is being valued. A purchaser of it would not receive anything during the continuance of the present interest.

(2) The date when the reversionary estate will fall in depends not upon a definite term of years, but upon the duration of lives.

(3) That two lives are involved, and that it will not be until after the death of both of them that the reversioner will enter into possession of the profits arising from the property. In some cases the reversion falls in on the death of the first of the lives involved, but that is not so in this case.

(4) The valuation tables used are similar to those employed in previous examples, except that the probable duration of lives of various ages has taken the place of definite terms in their formation.

Solution.—*Valued on 5 per cent. table.*

Perpetuity 5 per cent. . . . . = years' purchase 20

Northampton Table, 5 per cent., ages 35 and 55 . . . . . = years' purchase 14·035

Reversion in perpetuity after lives given . . 5·965

£300 × 5·965 =

Present value of reversion . = £1789 10 0

Notes on Solution.—There is nothing different in this case from the preceding examples except that the Northampton Life Table has been used instead of the table for valuing definite terms of years. Life Interests are more fully dealt with in Chapter VI. and in Chapter VII., where further examples will be found.

Question 12.—What is the Value of a Copyhold Property which Lets on Yearly Tenancies at £150 per annum? It is Good Class Property which Lets readily, and is Sound Structurally, but needs about £95 Expenditure on it in General Repairs. It is Copyhold of Inheritance, and there is no Impediment to Compulsory Enfranchisement. The Cost of Enfranchising, including all Fees and Expenses, is Estimated at £250.

Notes on Question.—(1) The process will be first to value the property as freehold, as the owner can secure the freehold estate by enfranchisement.

(2) If it were a case of sale and purchase, a purchaser who bought the copyhold would have to be admitted before he could enfranchise, and admission fines would have to be paid. But the vendor could first enfranchise and then sell the freehold. Which would be the better course to pursue would depend upon circumstances which cannot be considered here.

(3) Assume the value required is the value to the present admitted copyholder.

(4) Treat it as a 6 per cent. investment.

Solution. — Rental value on yearly tenancy per annum . = £150
Deduct all outgoings borne by the owner . . . . . = 25
Estimated net annual income . = £125
£125 per annum in perpetuity at 6 per cent. = £125 at 16·666 years' purchase . . . = £2083
Capital deduction for repairs . . = £95
Estimated cost of enfranchisement, including all expenses . . . . . = 250
= 345
Present value of the copyhold estate . . . = £1738

Notes on Solution.—(1) This case is similar to preceding solutions except for the capital deduction of £250, which is the estimated cost of converting the copyhold into freehold.

(2) In the ordinary course the cost of enfranchising would have to be estimated, but that has purposely been given in the present example with the object of avoiding detail and so leaving the mind unburdened to grasp the main points. Copyhold enfranchisement is dealt with in Chapter IX.

118. The foregoing outline examples, with the comments on the questions and solutions, should be ample to give sound first ideas on the methods employed in valuing real property, and to pave the way to detailed and more difficult examples.

In closing this chapter we cannot do better than again direct the attention of the reader to Chapter VI.

Those who have carefully followed the preceding examples will appreciate the great importance of having absolutely reliable information on all the points enumerated in Chapter VI. referred to, and will have noticed that the possession of such information and determination on such points has in every instance been a *sine qua non* to the solutions.

When the student can draw from the particulars before him exact information on all those points, then, and not until then, will he be able to do reliable work. The merely mechanical application of applying the tables in valuation is a minor matter which can present no difficulty.

Such matters as the table upon which a property should be valued (that is, the interest which the investment should pay and the rate at which the sinking fund can be accumulated), the deductions which should be made from the rent paid to find the net annual income ; the amounts attributable to various items which should form the subject of capital deductions ; the cost of enfranchising copyhold ; allowances which should be made to persons whose property is being purchased compulsorily, and many other details of which the foregoing examples have purposely been stripped, remain to be dealt with in detail ; and the assessments and other matters which were enumerated in § 95, and which it was therein pointed out are matters outside valuations proper, but which form part and parcel of the valuer's work, will be found fully dealt with in subsequent chapters.

Note.—Although in the preceding examples all but very small fractions of £1 have been shown, in professional work the values found would probably be rounded off to the nearest £5.

CHAPTER VI.

FACTORS IN VALUE.

120. Subject of the Chapter. The Tenures. Incidents of Tenure. Conditions and Circumstances which add to or Detract from Value. Average Annual Deduction. Capital Deductions. Rate of Interest on Investment. 121. Adjustment of Rules to meet Circumstances. 122. A Standard. 123. Attributes of an Ideal Investment. 124–125. Fee Simple, Incumbered and Unincumbered. 126. Incumbered Freeholds. 127. Fixity and Stability of Income. 128. Restrictions. 129. Fixed Charges. 130. Statutory Taxes and Duties. 131. Road Charges. 132–133. Freeholds subject to Leases for Fixed Terms or renewable in Perpetuity. 134. Leases at Rents exceeding Rack Rental Value. 135. Leases at Low Rentals. 136. Leases giving the Lessee the Right of Purchase. 137. Mortgage. 138. Various Classes of Property. 139. Ground Rents. 140. Agricultural Land. Accommodation Land. Building Land. 141. Land and Buildings. 142. Rent Charges. 143. Title. 144. Lifehold Estate. 145. Leading Considerations. 146. An Interest depending on the Uncertainty of Life. 147. Limited Interest in Freehold. 148. Important Distinction. 149. Longest of Two or More Lives and Joint Continuance of Lives Compared. 150. Reversions after an Estate for the Longest of Two or More or the Joint Continuance of Lives. 151. Contingent Life Interests. 152. Reversion to a Perpetuity after Lives. 153. Investments which return no Immediate Income. 154. Leaseholds. 155. Leading Considerations. 156. Head Leases. 157. Under Leases. 158. Derivative Leases. 159. Ground Rent. 160. Unexpired Term. 161. Covenants and Conditions of Leases. 162. The Condition of the Property. 163. New Properties. 164. Unstamped Leases. 165. Sealing. 166. Conditions affecting Value Common to all Tenures. 167. The Nature of the Property. 168. The Qualities of Land. 169. The Age and Condition of Buildings on Land. 170. The Manner in which Property Lets. 171. Developments and Planning. 172. Price of Consols and the State of the Property Market. 173. Legislation. 174. Special Circumstances. 175. Average Annual Deductions. 176. Capital Deductions. 177. Properties of the Smaller Class. 178. Regulations made under Section 17 (7) of the Housing, Town Planning, etc. Act 1909, Example of. 179. Bye-laws as to W.C. Accommodation. 180. Enactment as to Water Supply. 180A. Land Tax. 180B. Roads. 180C. Tithe. 181. Return on Investment.

119. In previous chapters we have outlined the various considerations which must affect the value of property, and the several branches of knowledge in which the valuer should be well versed in order that he may appreciate their

importance, and deal properly with them in his valuation. We have likewise defined the various technical terms applicable to the subject, have enumerated and illustrated the use of the valuation tables, and have given a general introduction to the subject of valuation, with numerous outlined examples, stripped of all detail which would divert the mind of the student from the general principles which it was our object to impress.

It now becomes necessary to discuss in more detail various points of importance without an appreciation of which the student will not be able to arrive at conclusions necessary in the course of valuations, conclusions which were supplied cut and dried ready for him in the examples already given.

It is not our object to exhaust the points which may affect the questions under consideration; it is doubtful whether they could be exhausted, at any rate in any volume of a size which would be likely to be generally useful. We shall not attempt to do more than direct the reader's mind in right channels, and then leave him to use his brains and gather experience from the cases with which he comes in contact.

120. **Subject of the Chapter.**—The matters to be considered in this chapter are :—

(1) The tenures—(*a*) fee simple, (*b*) lifehold, and (*c*) leasehold, and their incidents (§§ 124–174).

Copyhold, requiring special treatment, is dealt with in a separate chapter (see Chapter IX.).

(2) Conditions which may attach to, and circumstances which may surround the ownership of real property, tending to add to or detract from value (§§ 124–174).

(3) Circumstances which suggest the average annual deductions which it is proper to make from the rental value of a property to arrive at the net annual income (§ 175).

(4) Capital deductions (§§ 176–180).

(5) The rate of interest which an investment should return (§ 181).

It will be convenient to deal with the points involved in paragraphs 1 and 2 together under each tenure, so far as matters which are more or less directly connected with the particular class of property are concerned, leaving some other points, equally applicable to all classes of property, to be dealt with under a separate heading, "Generally."

Before considering the subject under the heads suggested, there are one or two general observations which may with advantage be made.

121. **Adjustment of Rules to meet Circumstances.**—It may be said at once that there is no such thing as a regular set of cut-and-dried rules applicable without modification, in a subject like that under consideration. The subject may be said to be a problem from beginning to end, and those who cannot cultivate an insight which enables them to grasp the situation and adjust rules to circumstances, had better devote their energies in other directions.

122. **A Standard.**—A useful purpose is served by setting up an ideal investment in real property, so as to form a standard with which all similar investments may be compared. If we assume the ideal investment should return, say, 3 per cent., then all other investments should pay more, in proportion as they fall short of the ideal.

123. **Attributes of an Ideal Investment.**—The attributes of an ideal investment, put in bare outline and in few words, so as to form a useful standard, are:—

(1) Unlimited durability of enjoyment.
(2) Freedom from liability.
(3) Perfect liberty in ownership.
(4) Ample and constant security for capital.
(5) Constant and unfluctuating return, sufficient to pay the proper rate of interest on investment, and, in the case of terminable estate, to provide the annual contribution to the necessary sinking fund for replacing capital.
(6) Immunity from anxiety and trouble.
(7) Ease and readiness in realisation.

If all these qualities are present to the full, then we may say we have the ideal; when they are only partially secured, we must consider to what degree the ideal is wanting, and to what extent the desirability of the property as an investment is affected in consequence.

TENURE AND INCIDENTS WHICH ADD TO OR DETRACT FROM VALUE.

Tenure is a point of first importance in deciding value.

124. (*a*) **Fee Simple.**—An estate in fee simple carries with it the absolute uncontrolled disposition of the property. The ownership is unlimited in point of duration, and the owner can deal with or dispose of it as he pleases (Chapter II. § 12).

124A. **Leading Considerations.**—The chief considerations are:—

(1) The interminable nature of the estate;
(2) The freedom of the ownership from liability to pay ground or head rents;
(3) The absolute nature of the ownership, and the freedom from control of superior owners.

All other things being equal, it would appear evident that a property the ownership of which will endure in perpetuity, and which is unaccompanied by liability to or the control of other parties, must be more valuable to the owner than one which will only be enjoyed for a limited period, and which is not immune from such liability and control.

On the above hypothesis, an interest in fee simple is the most desirable and the most valuable interest one can hold so far as tenure and matters arising out of tenure are concerned, and, being the most desirable, it is the property which will sell at a price which will pay a purchaser a smaller rate of interest than one otherwise equal, but not possessing such attractions.

Such interests are commonly spoken of as freeholds, for although there may be limited interests in freehold tenure, as lifeholds, such limitations would not be understood to be implied in the case of a property simply described as "freehold."

Freehold property may be unincumbered or incumbered.

125. **Unincumbered Fee Simple.**—The chief considerations in connection with unincumbered fee simple estate from the valuation point of view are:—

(1) The enjoyment is not limited in point of duration.
(2) The ownership carries with it the absolute uncontrolled disposition of the property, which can only be curtailed by Act of Parliament.
(3) There are no ground rents to pay or superior landlords to whom the owner is accountable, although nominally the property is held from the Crown.
(4) Freeholds are more readily saleable than leaseholds.
(5) There are no charges to which the owner is liable as owner, except the taxes and duties imposed on owners by statute, and in some few cases local rates charged on the owner.

126. **Incumbered Freeholds.**—In the case of incumbered freeholds, the exact nature and effect of the incumbrance must be understood, and proper allowance must be made.

127. **Fixity and Stability of Income.**—The security of the freehold tenure must not be confused with stability of income. The present income may be more or less than that which the property will return in the future. The amount of the rents reserved is, of course, a matter of fact; the abilities of the land to secure income in the future is more or less a matter of speculation. The probable rise or fall of the neighbourhood in which the property is situated, the suitability of buildings on the land for present and future requirements, their age and general condition, state

of repair, and so on, are all matters to be very carefully weighed.

Where buildings are very old it would be quite improper to value the freehold on the basis of present income. The income from a property can only be a basis of value over a period for which such income is assured.

Again, property may be in a transitory state, passing from agricultural land to accommodation land, from accommodation land to building land, and from building land to developed land. The rents issuing out of the property, and the security for their payment, will vary over the several periods. The method of valuation must be adapted to the circumstances.

128. **Freeholds Subject to Restrictions.**—Some freeholds are restricted as to the use to which they may be put. In such cases it is only with a full knowledge of the nature of the restrictions that one can offer any opinion as to the effect on value. Some restrictions which apply equally to all surrounding land may even be beneficial.

129. **Freeholds Subject to Fixed Charges.**—Even freehold properties in possession may be subject to fixed charges, as rent charges, annuities payable out of income to specific persons, tithe rent charge, etc. Where there are any such charges they necessarily reduce the value of the property. In valuing, the nature of the charge and all circumstances connected with it, whether redeemable or otherwise, must be considered (Appendices A and C, Q. and A. 18).

130. **Statutory Taxes and Duties.**—Property may or may not be liable to land tax. All land was subjected to land tax, but in most cases it has been redeemed. Under the Finance (1909–1910) Act 1910, increment value, reversion or undeveloped land duties, may become payable, according to circumstances. For allowances to be made for land tax and land duties, see Chapter V. § 112, and Chapter VIII.

131. **Road Charges.**—A freeholder in possession may be liable for the cost of making, paving, and sewering roads which have not been taken over by the authorities. Where

roads have been formed at some distant date, there is usually some finishing necessary before the authorities take them over. (See **Capital Deductions,** § 176.)

132. **Freeholds Subject to Leases.**—The fee simple interest may be subject to a lease, and in such cases the value of the freehold must depend largely on the terms of the lease. The effect of the lease is to depreciate the value of the freehold (§ 133–136).

Suppose a case of a long lease unexpired at a peppercorn rent, and you have one in which there may be little or no value in the freehold at the present time. As the lease becomes shorter and shorter the freehold becomes more and more valuable, even though the buildings on the land may be getting old and almost past repair, for there will at least be the land, which may be leased at a ground rent, or otherwise dealt with, left to you.

Take for further example the case of freehold land with good sound buildings thereon, subject to a lease twenty years unexpired at a ground rent of £25 per annum, the full net income from the property being £150 per annum. This is a valuable freehold; the owner will receive £25 per annum for twenty years, and £150 per annum in perpetuity after twenty years. The effect of the lease is nevertheless to depreciate the value of the freehold estate. If the property were identical except for the existence of the lease, the freeholder's interest would be valued as £150 per annum in perpetuity, which shows a better result.

133. **Freeholds Subject to Perpetual Lease.**—In some cases freehold properties have been leased on terms which entitle the lessee to renew in perpetuity on payment of fixed fines at stated intervals. In such cases the freehold estate carries with it only the right to the fines, the power to exercise control under the covenants and to resume possession of the property in the event of the lessee forfeiting, an event which is not the least likely to happen. The lessee in such cases derives almost all the advantages arising from ownership. (See Chapter VII. § 181, Q. and A. 21A.)

134. **Freeholds Leased at Rents Exceeding Rack Rental Value.**—It is quite possible to find a case in which freeholds are leased at a rent in excess of the rack rental value, and in this case it may be said that the lease is an advantage to the freehold estate, and increases its value.

But in such cases it should be carefully noted that the income arising under such a lease cannot be regarded as secured by an interest in land. It depends entirely on the personal guarantee of the lessee, and must not be taken as the basis in calculating capital value even over the period of the lease. Any income arising in such circumstances, dependent upon the personal element, should be separately considered.

135. **Freeholds Subject to Leases at Low Rents.**—An element which ought not to be lost sight of in valuing freeholds which are let on lease is the lessee's interest. Where the rent reserved is a low one—as in the case of a ground rent, a heavy premium has been paid, or the lessee has laid out large sums of money on the property—and the rack rental value is much in excess of the rent reserved, the lessee has a valuable interest in the property, which implies that the freeholder has very ample security for the payment of his rent, and for the fulfilment of the other covenants on the part of the lessee; and, the security being good, the rate of interest which a purchaser ought to expect on investment is proportionately reduced (Chapter VII. § 182, Q. and A. 16).

136. **Freeholds Subject to Leases giving Lessee Right of Purchase.**—Leases which give the lessee the option to purchase at a specific price (or at a price to be settled by arbitration) within a given period are sometimes granted. In such cases the fact, and the price at which the owner may have to sell, must, of course, be taken into consideration.

137. **Freeholds under Mortgage.**—Where a property is subject to a mortgage, the value of the property is not affected, but the interest which the owner, the mortgagor, has in it is less. The fact will, of course, reduce the amount which a purchaser, buying subject to the mortgage, should

pay, to the extent of the liability which he would assume (**Mortgage,** see Chapter XIII.).

138. **Freeholds—Various Classes of Property.**—Freehold property may, of course, consist in ground rents, uncovered land, and land and buildings, and may be an estate in interest, or an estate in reversion.

Each class of property mentioned may vary greatly.

139. **Freehold Ground Rents.**—Even freehold ground rents range from first class—those secured on good class property which lets on lease to substantial tenants, and the rack rents from which are from ten to five times the ground rent—to ground rents arising out of rough property which lets on weekly tenancies, and the net income from which is perhaps only three times the ground rent. The difference in the character and extent of the security naturally affects value (§ 181).

140. **Freehold Agricultural, Accommodation, and Building Land.**—Land may be purely agricultural land, accommodation land, or more or less ripe building land. The capital value of land depends upon its annual value, and its annual value depends upon the profit which can be made by holding it. The annual value of a farm as a farm must depend upon what can be made by farming the land; and the value of building land must likewise depend on the advantage to be derived from holding and developing it. We may find land letting at a certain rental or selling at a certain price per acre, per foot super, or per foot frontage; but if such rents or prices are reliable, they must be capable of being justified by financial results arising out of possession and capable dealing.

141. **Freehold Land with Buildings thereon.**—In the cases of land covered with buildings, the buildings may differ widely in character, class, and condition, and there may be an almost unlimited grading of property of each of the various classes. There is no need to enumerate the various properties, or to labour the points of difference involved; it is only necessary to point out that the exact

nature of the property must be appreciated, and that every incident connected with it should be carefully weighed before a value is placed upon it.

142. **Rent Charges, etc.**—We may sometimes have to value charges arising out of land the ownership of which does not carry with it the ownership of the land itself.

Any of the foregoing incidents, and others not mentioned individually, which may attach to a freehold property, necessarily affect its value in one way or another, and should be considered in valuing it.

143. **Title.**—The value of freehold property may be prejudicially affected by any flaw in the title. If the full legal title cannot be shown, although one may be quite satisfied that the ownership is secure, there may be difficulties in selling, and the inability to realise readily is a defect which reduces value.

144. (*b*) **Lifehold Estate. A Freehold Estate Limited in Point of Duration.**—Lifehold estate is an interest to endure for one or more lives, and may be enjoyed by the person on whose life it is held, or by another. Life interests may be contingent or otherwise (Chapter II. § 13).

145. **Leading Considerations.**—The chief considerations in connection with lifehold estate are :—

(1) They depend for their existence on the continuance of a life or lives.
(2) One or more lives may be concerned.
(3) Where more than one life is concerned, the existence of the estate may depend on either the joint continuance of all the lives, or the continuance of any one of them only.
(4) The estate depends upon the uncertainty of life: it is therefore a speculative class of property in regard to the period of duration.
(5) The life interest may be an absolute interest, or a contingent interest. In the former case

the owner is to possess the property during the continuance of the life or lives on which the estate is dependent; or, in the case of a reversionary interest, is to succeed to the ownership on the death of that person or those persons. In the latter case the estate is contingent on certain circumstances, as, for example, that the person entitled shall outlive some other person, or that one party shall outlive another, or shall attain a given age. This class of estate or interest is very speculative.

(6) Life estate may be held in interest or in reversion. There is the reversion in perpetuity after the life or lives. Life estate may be subject to fixed charges.

(7) The life or lives on which the estate or interest is dependent may be select lives, such as would be accepted by an insurance company, or they may be unselect.

(8) There is usually a market for life estate with life insurance companies, but it does not follow that such estate always forms a suitable security for a private investor, who cannot, like the company, set one such investment against another, so that on the whole, taking losses with gains, the result is satisfactory.

(9) Investment in life estate, especially contingent life estate, can usually only be indulged in by private investors who want security for capital, in conjunction with life policies which secure them in the event of the life unexpectedly failing.

(10) The life on which the estate depends must be insurable.

(11) The distinction should be drawn between investment and mere speculation.

146. **An Interest Depending on the Uncertainty of Life.**—The bare fact that this class of estate or interest depends for its existence on the uncertainty of life, renders it less attractive to most private investors than definite interests in perpetuity, or terms of years.

147. **Lifeholds—Market for.**—Notwithstanding what has been said in the previous paragraph, such interests, being limited interests in freehold property unburdened by vexatious covenants, there is always a market for them with the large life insurance offices.

148. **Important Distinction.**—Where property is held on more than one life, the distinction between cases in which the ownership of it terminates on the death of *one of the parties*, or continues until the death of *all of them*, is very important.

149. **The Longest of Two or More Lives and Joint Continuance of Lives Compared.**—An estate in interest, to be enjoyed for the longest of two or three lives, will be enjoyed for a longer period than one which endures so long only as all the parties are living, or, in other words, endures for the joint continuance of lives, and consequently is worth more in present money.

150. **Reversions After an Estate for the Longest of Two or More or the Joint Continuance of Lives.**—Applying the same reasoning to an estate in reversion to be entered upon after the death of all of the several parties, or the longest of lives, as compared with one which falls in on the death of any of them, the period to elapse before the reversionary estate falls in is protracted, and the reversionary interest is worth less in present money. Whether the estate in interest or the estate in reversion is involved, it is very necessary, therefore, that the distinction should be carefully drawn.

151. **Contingent Life Interests.**—Contingent life interests are extremely speculative, and that factor renders them less desirable as the subject of investment. Indeed dealings in them cannot be regarded as other than mere

speculations, unless accompanied by life policies which mature on failure of the purchaser to succeed to the property, or on unexpected termination of the estate.

The reversion to a life estate, after an estate in interest for one or more lives, is speculative in that although the probable duration of lives may be known, there is no certainty that the successor apparent will outlive those on whose life the estate in interest is held. It is one form of contingent life interest.

152. **Reversion to a Perpetuity After a Life or Lives.**—The reversion to a perpetuity after a life or lives is speculative only to the extent of the uncertainty of the duration of the lives on which the estate in interest is held.

153. **Investments which Return no Immediate Income.**—In all purely reversionary interests there is no income from the property until after a period certain or uncertain—uncertain in the case of lives,—and this factor renders them less desirable as investments for the majority of investors who desire some immediate income, or at least an income after a certain period, on their capital invested.

The fact that the life on which an estate or interest is dependent is a select life is favourable to the value of the estate in interest, and unfavourable to the estate in reversion.

An interest to be enjoyed during the continuance of an uninsurable life is not a fit subject for investment: the investor cannot protect himself by a life insurance policy.

154. (*c*) **Leaseholds.**—A leasehold is an interest in land less than freehold, in which the lessee holds for a fixed term of years, usually subject to the payment of rent and the observance and performance of covenants and conditions (Chapter II. §§ 14, 15, 16, 17).

Leases may be head leases, under leases, or derivative leases.

In some rare cases leases are renewable in perpetuity on payment of periodical fines of fixed amount.

Some leases give the lessee the option of purchase.

155. **Leading Considerations.**—The chief considerations in connection with leaseholds, as the subject of investment, are :—

(1) Leases may be head leases, under leases, or derivative leases.

(2) The ground rent reserved may bear any ratio to the rack rent, and the burden may be proportionately light or burdensome.

(3) The term granted may be a term of years or the duration of a life or lives. The unexpired term in the lease may vary from a period so short as to render the property unsaleable, to one which, so far as period is concerned, renders the property almost as valuable as freehold.

(4) The covenants of the lease may impose a light responsibility on the lessee, such as the owner of a property has no cause to object to, or they may be of so onerous a nature as to render the leasehold interest a most undesirable one to possess.

(5) Leases may contain conditions which give the parties power to determine them, or the lessee may have the right of renewal in perpetuity on payment of a fixed fine periodically ; or the lease may give him the right to purchase the fee simple at a fixed sum, within a given period.

(6) The lease may contain covenants by the lessee to make alterations or additions to the property within a given period, for which a purchaser of a lease before the expiration of such period may become liable under certain circumstances.

(7) The purchaser of a lease would usually be the

party on whom the entire responsibility for the condition of the property would fall; he would have to comply with any dangerous structure and sanitary notices which might be served by the public authorities, and would be jointly liable with the building owner in the case of party walls proving defective and unfit for use in the event of the adjoining buildings being demolished for rebuilding or otherwise.

(8) The condition of the property may be good, or it may be bad, involving responsibility for a very heavy outlay, either immediately or in the near future, to satisfy the covenants of the lease.

(9) In the case of new properties, the purchaser of a lease of property fronting on to unmade or only partially made roads would in the usual course be the party on whom road charges would fall.

(10) Leases may be unstamped, involving the payment of a penalty in the event of their having to be produced in evidence.

(11) Leases may be unsealed in cases in which a seal is necessary, rendering them bad in law, although possibly enforceable in equity.

We will now proceed to consider the matter in more detail, under each of the heads before mentioned.

Perpetual Lease (see § 154 and 155 (5)).

156. **Head Leases.**—Head leases are more desirable than under leases and sell more readily. The lessee deals directly with the freeholder, and the terms of the lease make the lessee's position clear. Negotiations with regard to the property are much more simple owing to there being no intermediate interests, and terms for renewal can usually be settled much more readily and advantageously to the lessee.

The lessee is not, like an under lessee, under any risk of being disturbed in his possession through the default of other parties, which might incur a forfeiture, and which would at least involve him in the trouble and expense of applying to the court for relief.

There is not so much likelihood of his being annoyed and put to expense by the service of vexatious notices to repair, and the like.

157. **Under Leases.**—Under leases are open to the objection that one or more intermediaries stand between the tenant in possession and the freeholder. The holding is liable to the terms of the head lease as well as those of the under lease, and consequently a purchaser would at least need to inquire into the terms of the former (Chapter II. § 16).

In many cases, although it is not always so, an application from an under lessee (who if in business occupation is the party who has an interest beyond that arising out of a mere profit rental) to the freeholder for a renewal would not be considered; he would have to apply to his immediate lessor, and, as a consequence, much of the advantage to arise from the renewal would not be reaped by him.

The profit rental, if any, arising under an under lease is usually less than that arising under the head lease; consequently, if the property be unproductive temporarily the burden to be borne is proportionately greater.

The delay and expense in connection with any negotiations in connection with the property are usually considerably increased by reason of the intermediary interests which have to be consulted.

158. **Derivative Leases.**—A derivative lease is an under lease of part only of the property demised by the head lease; it is therefore open to the same objections as the under lease, as well as the additional objection arising out of the fact that, very probably, the failure of the lessee or any of the sublessees of the properties included in the head lease to observe or perform the covenants in respect of their

holdings, will render the other sublessees liable, and their property may be forfeited as a result (Chapter II. § 17).

A lessee who sells his leasehold interest to several parties, creating derivative leases, may have the trouble of collecting the rents and paying them over to the superior lessor, who may not be willing to accept payment in several separate sums.

159. **Ground Rent.**—The proportion which the ground rent bears to the rack rent is a matter of some importance, for although property is valued on the net annual income after paying ground rent, if the ground rent is proportionately high, it is a heavy burden upon the lessee at any time when the property is temporarily unproductive. A property subject to a heavy ground rent is not so tempting as one where the ground rent is smaller, and as a consequence this is a consideration which might well affect the rate of interest a purchaser should receive on investment.

Small rents reserved in under leases are not properly ground rents, though often described as leasehold ground rents: they are Improved Rents. There can only be one ground rent, viz. that reserved under a head lease (Chapter II. 30).

160. **Unexpired Term.**—The unexpired term is obviously a matter of great importance, as it regulates the number of years for which the income will be received, and the period available for accumulating the sinking fund for replacing capital (Chapter X. § 410, Chapter XII. § 559).

There are, however, additional reasons why the length of the unexpired term should be carefully considered.

Where the unexpired term is very short, the property is hardly saleable in ordinary circumstances, except to a certain class of investor who deals in such interests and expects a high return.

It is very difficult to borrow money on mortgage on the security of short leases, especially when the lease is less than thirty years unexpired.

It should be borne in mind that where the term is getting

short the property is very rapidly depreciating in value, and approaching the time when, in ordinary circumstances, there will be no market for it.

When the unexpired term in a lease is getting short, the superior lessors and freeholders are likely to be paying more particular attention to the condition of the property, and the lessee is much more likely to be troubled with the service of notices to repair.

The fag end of a long lease usually implies an old and more or less worn-out property, and the liability for repair is greater than in the case of sounder structures.

It is often more difficult to let property when a lease for a term cannot be granted, and consequently, in the case of very short unexpired terms, the holder may have some difficulty in letting. There is almost always some final outlay to be made, on reinstating dilapidations or in money payments in lieu thereof, at the end of a lease, and the present value of any such outlay, especially when the term is getting very short, should be treated as a capital deduction.

161. **Covenants and Conditions of Leases.**—The nature of the covenants of a lease can only be determined on an examination of the document in each individual case. The matter is one of great importance in valuing leaseholds, and, failing exact information, a value can only be determined on the assumption that the covenants are not unduly onerous.

The liability to repair, and to pay rates, taxes, assessments, and outgoings may differ widely. These are questions which need consideration, with a full knowledge of the property to which they relate. For example, the liability under the same repairing covenant would differ considerably when applied to different properties: the upkeep of some buildings is very costly, whilst others are of such a nature as to involve the minimum of expenditure.

Again, the responsibility under the covenant to pay "outgoings" extends the lessee's liability to renewing parts of premises under notices from the public authorities. A lessee may, for example, find that he has not only to

maintain the sanitary system existing when he takes or purchases the lease, but that he is liable to construct a new modern system involving heavy outlay.

Once again, the purchaser of a lease may actually become liable to make some structural additions or alterations to the property leased, if the original lessee covenanting for himself and his assigns has undertaken to execute such works within a period which has not expired at the date of the assignment of the lease.

Further, a purchaser of a lease may even become liable under purely collateral restrictive covenants, if he takes the assignment with notice of them.

Again, a lease may contain covenants restrictive of the free user of the property, which may render it quite unsuited to any proposed purchaser; apart from unfitness for a particular person, anything detracts from value which limits the user to an extent to reduce the acceptability of the property to purchasers in general.

In the case of an under lease, the covenants in the head lease will also govern the position of the parties.

The construction of covenants is not within the province of the valuer, but a knowledge which enables him to appreciate the importance of such matters is essential.

A valuer advising without full knowledge of the covenants of the lease should make it clear in his report that the value he places on the property is based on the presumption that the covenants are not unduly onerous. It will then be the duty of the legal advisers to look into that matter.

The power reserved in a lease—(*a*) to determine, (*b*) to renew, or (*c*) to purchase at a fixed price, or price to be ascertained, must of course be given due consideration. The effect of such contingency on value will depend upon the circumstances in each individual case.

162. **The Condition of the Property.**—The condition of the buildings on the land is a matter of importance in all cases, and it is therefore referred to under the heading "Generally"; but it is perhaps particularly important in

the case of leaseholds, because the lessee is under express obligation to the superior landlord, and often the liability is a very onerous one (§§ 175, 176; Chapter X. § 380).

Condition may be considered from several standpoints :—

(*a*) the capital outlay required to place dilapidated buildings in a satisfactory condition ;

(*b*) the legal liability under the repairing and surrendering covenants ;

(*c*) the liability of the lessee to renew certain parts, such as the sanitary system, if called upon by the public authorities ;

(*d*) the age and general condition of the buildings as indicating whether they will last out the unexpired term of the lease ;

(*e*) the class of structure, and the nature of the finishings and decorations, etc., as indicating whether the cost of upkeep will be more or less than what is commonly incurred. This should be noted to enable the valuer correctly to estimate the average annual allowance for repairs.

Where capital outlay will be involved, the exact sum must be estimated, and the proper deduction made.

163. **New Properties.** — A close examination of the structure is often even more necessary in the case of valuing new properties than in the case of those which have been erected some few years, because the buildings have not stood the test of time, and considerable settlements and other defects may subsequently show themselves.

There are often a good many things left unfinished in new properties, which will have to be added later at the expense of the purchaser. The valuer should have an eye for such matters.

The first decorations and paintings nearly always need renewing sooner than would work carried out later.

The liability for making and paving roads, where they have not been formally taken over by the authorities, will usually fall on the lessee, and the cost must therefore form the subject of a capital deduction in valuing leases, when such circumstances exist.

164. **Unstamped Leases.** — A lease is not rendered invalid by the fact that it is not properly stamped, but should circumstances arise in which it is necessary to produce the lease in evidence, before that can be done the penalty will have to be paid.

165. **Sealing.**—Leases (*a*) for a term of more than three years computed from the date of the making thereof, (*b*) reserving less than two-thirds the full rack rent, whatever the period, and (*c*) demising incorporeal property, must be under seal to be good in law. A writing not under seal may be treated in equity as an agreement for a lease, but it could not be enforced against a third person bona fide holding a valid lease. The proper sealing of the lease is therefore an important matter, but is one which would be looked to by the solicitor dealing with the assignment.

GENERALLY.

166. **Conditions Affecting Value Common to all Tenures.**—There are a number of conditions, quite unassociated with the tenure, which must necessarily affect the value of property, and which have consequently escaped mention, or only received passing notice in the earlier parts of this chapter.

The chief considerations are :—

(a) **The nature and class of property, whether secured rents arising out of land, uncovered land or land and buildings, and the purposes for which such land or land and buildings are suited (§ 167).**

(b) The qualities of land arising out of the soil, position, altitude, and natural surroundings, sewerage, water supply, accessibility by road and rail, provision for artificial lighting, availability of suitable material for road making and building construction, attractions, and so on (§ 168).

(c) The age and condition of buildings on the land (§ 169).

(d) The manner in which property lets, the class of tenant it secures, and the proportion which outgoings bear to income (§ 170).

(e) Developments in the district, or the opening up of new more attractive districts, by the construction of railways, tramways, the provision of motor omnibus services, etc. Radical changes in ideas as to planning, construction, and sanitary matters, which may render existing buildings more or less obsolete (§ 171).

(f) The price of consols, and the state of the property market (§ 172).

(g) Legislation affecting the ownership of land, and the liabilities imposed (§ 173).

(h) Special circumstances (§ 174).

It is not thought necessary or desirable to do more than deal briefly with the foregoing points; they cannot be exhausted in a work on valuation, and the object is to point out their application and importance, as matters affecting value, rather than to deal with them in detail.

167. **The Nature of the Property.**—A property where the rent, such as a freehold ground rent, is secured by the rack rents arising from land and buildings, assuming the security is ample, is obviously a safer investment than an income estimated to arise out of land. In the first place, it is already secured; secondly, it is already productive; thirdly, it is a certain instead of only an estimated income;

and lastly, the property is already matured, and there is not therefore the same trouble involved in its ownership. If the rent is secured on good-class property, it is the safest and least troublesome interest which can be held, and, especially if the reversion to the rack rents is not too remote, it sells readily, and purchasers can only expect a comparatively small rate of interest, from which it of course follows that it realises a larger number of years' purchase of the net income than less desirable interests would realise.

On the other hand, if the property is uncovered land and the basis of valuation is the ground rents which it will return, the realisation of the estimated income depends on the accuracy of the estimate, there is as yet no security more than the uncovered land affords, there is no immediate return, the period to elapse before income arises is problematical, and interest on capital, pending such development, must be allowed for on the basis of an estimated period. There will also be some trouble, if there is not also a good deal of expense, involved in letting the land on building lease, or otherwise dealing with it.

Under such circumstances, although the valuation may be on the basis of ground rents to be secured, the fact that it is building land (not a secured ground rent) which is being valued must not be lost sight of, and the interest which the purchaser should receive on his investment must be proportionately increased.

It may be the property to be valued is agricultural land. In such cases the rental for agricultural purposes is the lowest rental which the property will secure. It is an improving property, especially if the prospect of its becoming building land is not too remote. Also, in the past at least the ownership of land has been regarded as carrying with it certain social standing, and wealthy people have been anxious to hold it for that reason.

These considerations, taken together, have resulted in a demand for agricultural land by people who can afford to put their money out at a small immediate return, and it has

consequently usually sold to pay only a low rate of interest. However, the rents at which agricultural land is let are often very low, and as a consequence the prices paid on purchase appear to be higher than they really are. The return on investment is, for the time being, very small indeed.

Where property consists of land and buildings, very many points concerned with the nature and class of the property need consideration, but they are summed up in certainty and regularity of income, considered in conjunction with security for capital, the trouble involved in holding the property, and the readiness with which it will sell.

Shop property, in leading thoroughfares where trade is done, is excellent, but small shop property out of the general run of trade is often very precarious.

Private residences, provided they are of the size and class required, and likely to be required, in the district, and if as desirable as any which can be obtained locally, form good investments; but the more or less obsolete, which are certain sooner or later to stand a poor chance with more modern houses, must be valued with due consideration to their nature, and the probabilities of their commanding tenants readily and maintaining their rental values.

As a general rule, other things being equal, investment in very large houses is much more risky than investment in moderate-sized and smaller property. There is much greater likelihood of depreciation in value.

In the case of factories, warehouses, garages, and other property of the kind, the demand is less general. Should such premises become vacant, they are often very difficult to relet. In the case of factories, particularly, there is usually some fitness or unfitness about the building for a particular industry. A great deal depends on the nature of the building, the situation, and the demand in the locality. While let to a prosperous manufacturing firm, all is well; but the prospects of the landlord depend a good deal on the success of the business. On the other hand, a great deal of success will perhaps induce the tenants to erect more

suitable buildings for themselves, and in that way the property may become vacant. As such properties are, too, usually comparatively large, the risk is greater, and the rate of interest on investment must be sufficient to induce a purchaser to take the extra risk.

168. **The Qualities of Land** (see also § 140).—Especially in the case of building estates, the nature of the soil, whether suitable from a sanitary and building point of view, the position and altitude, the surroundings, natural and artificial, as well as the presence or absence of a main drainage system, water supply, artificial lighting, availability of suitable material for road making and building construction, and accessibility by road and rail, are all points which affect value.

In the case of land suitable for larger houses, good golf links, hunting, shooting, fishing, yachting and boating, and society are all attractions which are of great importance.

In the case of land suitable for smaller property, some of the chief considerations are the points mentioned in the first paragraph, combined with nearness to some large town or business centre, quick and cheap travelling, a frequent service of trains, trams, and motor omnibuses, and good roads for cycling.

169. **The Age and Condition of Buildings on the Land.**—The supreme importance of taking into account the age and condition of the buildings on the land is obvious.

In the case of freehold ground rents with a reversion not too remote, the age and condition of the buildings will decide whether the ground rent paid, or which can be secured in the future, should be valued in perpetuity, or whether the ground rent should be valued for a term, and the reversion to the rack rents for a term after a term, or in perpetuity after a term.

Again, in valuing freeholds let at rack rentals, the same question will decide whether the rack rental should be capitalised in perpetuity or whether it should be valued only for a term of years, and the reversion after that term

should be valued on the basis of the ground rent which it is estimated the property will secure as a building site.

Age and condition may also be considered from the point of view of their effect on the necessary average annual allowance for repairs, and the capital deduction which may have to be made to meet the outlay necessary to put dilapidated buildings in a proper state of repair, in re-drainage, alterations to make premises comply with modern laws and byelaws, and the like.

In the case of leasehold interests the question of age and condition is of great importance also, but this has been dealt with specially under the head "Leases" (see §§ 154 to 165).

170. **The Manner in which Property Lets.**—Property which lets readily on repairing lease to good substantial tenants involves less responsibility and less trouble in management, on the part of the lessor, than that which only lets for shorter terms, in which case the tenant undertakes little liability beyond the payment of the rent, and the usual tenant's rates and taxes. Compare such property with that which lets only on weekly tenancies; the contrast is great, and impresses the point which it is desired to make, viz., that, quite apart from the greater amount of average annual deduction necessary in the one case than in the other to arrive at the net annual income to be multiplied by the years' purchase, some suitable difference must be made in the number of years' purchase adopted. The one property is much more desirable than the other, and the purchaser of the better-class property cannot expect to gain so high a rate of interest on his capital employed.

It should be noted, however, that in the case of good-class properties which let on weekly tenancies, there is the advantage that the money is received weekly.

The question of the lettings must be considered in conjunction with all other elements, and not apart from them. There are properties, let on weekly tenancies to one tenant

who keeps the whole house, or perhaps lets off a room or two not required for the family, which are at least as good as similar properties let on longer tenancies.

In the case of three-year agreements, the terms of the agreement should be known. Some such agreements, usually in the case of larger properties, are almost as stringent as leases, whilst others contain agreements similar to those usual in the case of yearly tenancies. The tenant who takes a three-years' agreement usually demands a good deal in the way of repairs and decorations, and often has a habit of making a fresh demand each three years, or of moving to some adjoining property which is newly decorated.

171. **Developments and Planning.**—A thought must be given to actually proceeding and probable future developments, and their effect on the readiness with which the property to be valued will let. It is not always possible to look far into the future, but as far as that can be done the probabilities must be weighed. Often much depends on the nature of the buildings, and whether they comply with modern ideas, so that they are not likely to be superseded by more attractive and convenient houses; but that is not all. Some new attraction or public notion, which cannot be foreseen, may be the cause of appreciating or depreciating property generally, or property in a certain district in particular. Railways, trams, and motor omnibuses may carry people further afield; garden cities may attract people to a particular spot; the establishment or withdrawal of large works may make or mar property; surrounding developments may entirely change the nature of a district, and affect the rentals obtainable and the class of tenant which can be secured. What an effect the introduction of the non-basement house had on the rental value, and consequently on the capital value, of houses having basements!

There is no need to attempt to exhaust the circumstances which may affect the value of property; it is sufficient to

point out the necessity for the valuer to look at the matter from all points of view.

172. **Price of Consols and State of the Property Market.**—The general market value of all property from the investor's point of view must depend on supply and demand; and the demand for land as an investment depends on what other sources are open to the investor, in which he may place his capital with safety, the price at which such securities can be purchased, and the interest they pay. The question is one of opportunity and comparison.

If consols pay 3 per cent., and £100 worth of stock can be purchased for £78, the investment pays 3·846 per cent.; and as consols can be bought and sold more readily than land, in order to find a ready market the latter must pay a higher rate of interest.

173. **Legislation.**—Legislation affecting land may affect both the deductions (average annual and capital) which should be made, as well as the years' purchase which should be paid, and must be considered; and the uncertainty which may prevail in the minds of investors may be the cause of a considerable fall in capital value, which cannot be accounted for by the actual impositions.

All legislation which increases the responsibility of owners, or which taxes the profits they might make from sale and purchase, must necessarily affect the value of property. The extent to which value is affected is not always only in proportion to the burden imposed: the impression created, while it lasts, does a good deal to influence value. (See Public Health Acts, Metropolis Management Act, Building Acts, Housing of the Working Classes Acts, Housing, Town Planning, etc. Act, Finance Act, etc.)

174. **Special Circumstances.**—Of course there are many circumstances which result in properties selling above the ordinary market values. Competition between parties often results in prices being realised far in excess of the market value, and the necessity of realising in haste as often results

in property being sold at a low price. Certain districts may be in great favour, and individual properties may have special attractions.

175. **The Circumstances which Suggest the Average Annual Deduction from Income.**—The proper deduction for average annual outgoings depends on the terms of the lease or agreement under which the rent dealt with is secured: it is a question of what outgoings the purchaser of the property will have to bear.

Usually when the rent dealt with is that arising under a full repairing lease, all outgoings fall on the lessee, except an allowance of from 2½ per cent. to 5 per cent. for contingencies, and, in the case of leaseholds which have been sublet, the ground rent.

In the case of property which lets on three years' agreement, sometimes the terms are nearly as stringent as those of a lease, but more often the tenant does only part repairs, or no repairs at all. The exact terms of the letting must be known.

Where property lets on yearly tenancy, the tenant does not usually undertake any liability beyond paying the rent and the usual tenant's rates and taxes, and consequently the whole of the outgoings for repairs, insurance, and contingencies fall on the owner, as well as land tax and tithe rent charge (if any), and the ground rent in the case of leaseholds.

In the case of tenancies of shorter duration, such as quarterly and monthly tenancies, there is no fixed rule: they may be much the same as yearly tenancies in all respects except term, or they may be lettings at inclusive rents. It is a question of fact which the particulars must disclose.

Property which lets on weekly tenancies is almost always let at inclusive rentals, and, in that case, the landlord bears the cost of repairs and insurance, local rates, inhabited house duty, water rate and contingencies, such as loss of rent by empties and bad tenants. It is usually necessary

in such cases to have the services of an agent, involving cost of collection and management.

In dealing with the valuation of maisonettes or flats special deductions may be necessary, although the exact terms of the lettings must be known before the proper allowance can be determined. The deductions, in the case of leaseholds, may be for any or all of the following items: ground rent, repairs, insurance, rates, land tax (if any), inhabited house duty, water rate, charges for hydraulic power or electric current for working lifts, lighting, heating, and cleaning of common staircase, porters' and liftmen's wages, contingencies to cover loss by empties and bad tenants, cost of collection and management.

Table of Deductions to be made from Rental to Arrive at Net Annual Income.

The following table will give some idea of deductions, any or all of which may have to be made from the rents received from a property to arrive at the net annual income; but as cases vary so greatly there can be no cut-and-dried rule. The proper course is to work out the rates for the correct items of deduction according to the circumstances of each case :—

Ground Rent.—In case of leaseholds, the rent reserved.

Average Annual Cost of Repairs from 10 to 20 per cent. 20 per cent., or one-fifth of a year's rent per annum, is often found to be a fair average for property which is well kept, but the allowance made is not usually so high.

Fire Insurance Premiums from 1s. 6d. to 2s. 6d. per £100 insured (special rates in case of heavy risks).

Local Rates from 7s. to 9s. in the £ on the rateable value. The rate in the district should be ascertained.

Inhabited House Duty.—This duty varies with the nature of the property and its rental value, and some little detail must be gone into.

It is a duty payable on property of a rental value not less

than £20 per annum occupied as a dwelling. No duty is payable when the property is wholly unoccupied, but with the exception of the case of blocks of structurally separated dwellings, referred to in a future paragraph, the whole duty is payable if any part of the property is in occupation.

Occupation of a dwelling by a mere caretaker, or habitation by a servant or watchman for the protection of premises used solely for business, is not an occupation entailing the payment of house duty.

Property which combines business premises and a dwelling is liable to duty on the annual value of the whole premises; but the duty is charged on a lower scale than that applicable to dwellings.

The duties may be stated in tabular form as follows :—

Annual Value of Property.	Duty on Business Premises with Dwellings.	Duty on Dwellings.
£20 and not exceeding £40	2d.	3d.
£40 „ „ £60	4d.	6d.
exceeding £60.	6d.	9d.

Business premises extend to shop property, public-houses, hotels, inns, coffee-houses, lodging-houses, and farm-houses.

It should be noted that in the case of a shop with dwelling over, let to one tenant, the duty would be charged on the lower scale, but if such property were let in tenements, so that the shop and certain rooms were let to one tenant, and the remaining rooms to another tenant, the duty would be charged on the higher scale. If the shop were let off apart from any tenement, an allowance would be made in respect of the shop only.

Exemption may be claimed for property constructed or properly adapted to let in separate artisans' dwellings, where the rentals of the separate dwellings do not exceed £20 per annum. But in the case of blocks of dwellings to which this exemption does not apply, the rental value of

the whole property, and not the rental value of each of the separate dwellings, is the basis for fixing the rate per £ gross value. An allowance may be claimed in respect of any parts of the whole property which are either unoccupied dwellings, or which are used solely for business purposes.

Lighting and Heating Staircase in case of flats.—The cost entirely depends on circumstances.

Porters' and Liftmen's Wages.—One man, with rooms provided, 25s. to 30s. per week; assistant (without rooms), 15s. to 20s. per week.

Contingencies (a very movable quantity, depending on the class of property, how it lets and the tenants secured), say from 2½ per cent. to 10 per cent. per annum on rent roll. In the case of private residences and shop property of good class, 2½ per cent. in the case of property let on lease, and 5 per cent. in the case of property let on yearly tenancy is usually sufficient. The readiness with which the property lets has a good deal to do with the allowance to be made.

Collection and Management, 5 per cent.

Hydraulic Power.—The cost depends upon the water used, but in the case of a single lift serving for a building containing, say, twenty suites, the cost would be about £22 per annum.

Undeveloped Land Duty.—In the case of undeveloped land, there will be the deductions for undeveloped land duty, which is ½d. in the £ on the site value of undeveloped land.

176. **Capital Deductions.**—Capital deductions are usually in respect of—(*a*) the cost of putting dilapidated property in repair; (*b*) an allowance to meet the cost of reinstatements, alterations, or additions necessary to be made in the future; (*c*) the cost of making, paving, and sewering roads; (*d*) the cost of necessary alterations to buildings to make them comply with modern laws and byelaws; remodelling of drainage and sanitary systems; (*e*) an allowance to cover the risk of having to pay a share of rebuilding party walls and other parts, in the event of the rebuilding of adjoining properties; (*f*) the cost of complying with dangerous

structure or sanitary notices likely to be served; (*g*) the cost of redeeming land tax, tithe rent charge, or any fixed charge to which property may be subject; (*h*) the present value of reversion duty payable on the falling in of leases; (*i*) the cost of buying out easements or interests the existence of which have not been taken into account in the earlier stage of the valuation.

It will be understood that no reliable table of deductions could possibly be given in respect to most of the above items, which depend entirely upon the actual circumstances of each particular case. The three items, Land Tax, Roads, and Tithe, in respect to which some suggestion as to amount of deduction can be offered, are dealt with in §§ 180A, 180B, 180C.

177. **Properties of the Smaller Class.**—In valuing properties of the smaller class particularly, such as blocks of houses let out in tenements to persons of the working classes, the valuer must be particularly alert, and satisfy himself that no serious liability attaches to the property arising out of its non-compliance with sanitary requirements, in the matter not only of defective drainage and general repair, but of insufficient water supply, insufficient water-closet accommodation, having regard to the number of occupants, and particularly the provisions of the Housing, Town Planning, etc. Act, which are so important that the following quotations are thought quite necessary :—

Housing, Town Planning, etc. Act 1909.—Under section 14 of the Housing, Town Planning, etc. Act 1909, it is provided as follows :—"In any contract made after the passing of this Act for letting for habitation a house or part of a house at a rent not exceeding—

"(*a*) in the case of a house situate in the administrative county of London, forty pounds;

"(*b*) in the case of a house situate in a borough or urban district with a population according to the last census for the time being of fifty thousand or upwards, twenty-six pounds;

"(*c*) in the case of a house situate elsewhere, sixteen pounds;

"there shall be implied a condition that the house is at the commencement of the holding in all respects reasonably fit for human habitation, but the condition aforesaid shall not be implied when a house or part of a house is let for a term of not less than three years upon the terms that it be put by the lessee into a condition reasonably fit for occupation, and the lease is not determinable at the option of either party before the expiration of that term."

Section 15 provides:—"(1) The last foregoing section shall, as respects contracts to which that section applies, take effect as if the condition applied by that section included an undertaking that the house shall, during the holding, be kept by the landlord in all respects reasonably fit for human habitation.

"(2) The landlord or the local authority, or any person authorised by him or them in writing, may at reasonable times of the day, on giving twenty-four hours' notice in writing to the tenant or occupier, enter any house, premises, or building to which this section applies for the purpose of viewing the state and condition thereof.

"(3) If it appears to the local authority within the meaning of Part II. of the principal Act that the undertaking implied by virtue of this section is not complied with in the case of any house to which it applies, the authority shall, if a closing order is not made with respect to the house, by written notice require the landlord, within a reasonable time, not being less than twenty-one days, specified in the notice, to execute such works as the authority shall specify in the notice as being necessary to make the house in all respects reasonably fit for human habitation."

Section 17:—"(1) It shall be the duty of every local authority within the meaning of Part II. of the principal Act to cause to be made from time to time inspection of their district, with a view to ascertain whether any dwelling-

house therein is in a state so dangerous or injurious to health as to be unfit for human habitation, and for that purpose it shall be the duty of the local authority, and of every officer of the local authority, to comply with such regulations and to keep such records as may be prescribed by the Board.

"(2) If, on the representation of the medical officer of health, or of any other officer of the authority, or other information given, any dwelling-house appears to them to be in such a state, it shall be their duty to make an order prohibiting the use of the dwelling-house for human habitation (in this Act referred to as a closing order) until in the judgment of the local authority the dwelling-house is rendered fit for that purpose.

"(3) Notice of a closing order shall be forthwith served on every owner of the dwelling-house in respect of which it is made, and any owner aggrieved by the order may appeal to the Local Government Board by giving notice of appeal to the Board within fourteen days after the order is served upon him.

"(7) A room habitually used as a sleeping place, the surface of the floor of which is more than 3 feet below the surface of the part of the street adjoining or nearest to the room, shall, for the purposes of this section, be deemed to be a dwelling-house so dangerous or injurious to health as to be unfit for human habitation, if the room either

"(*a*) is not on an average at least 7 feet in height from floor to ceiling, or

"(*b*) does not comply with such regulations as the local authority, with the consent of the Local Government Board, may prescribe for securing the proper ventilation and lighting of such rooms and the protection thereof against dampness, effluvia, or exhalation: provided that if the local authority, after being required to do so by the Local Government Board, fail to make such regulations, or such regulations as

the Board approve, the Board may themselves make them, and the regulations so made shall have effect as if they had been made by the local authority with the consent of the Board :

"Provided that a closing order made in respect of a room to which this subsection applies shall not prevent the room being used for purposes other than those of a sleeping place. . . ."

Subsection 7 (*b*) of section 17 deserves much more careful notice than it is likely to receive if merely quoted, and it is therefore emphasised by the following quotation as a sample of regulations in force in Kilburn, made and approved under it, which illustrates the far-reaching effect of the provision :—

178. **Regulations made under Section 17 (7) of the Housing, Town Planning, etc. Act 1909.—Example of.**—"Every room habitually used as a sleeping place, the surface of the floor of which is more than 3 feet below the surface of the part of the street adjoining or nearest to the room, shall comply with the following regulations, namely :—

"(1) The subsoil of the site of the room shall be effectually drained by means of a subsoil drain properly trapped and ventilated, wherever the dampness of the site renders such a precaution necessary.

"(2) Every drain passing under the room, other than a drain for the drainage of the subsoil of the site of the room, shall be properly constructed and capable of standing the smoke or coloured water test or other similar tests (not including a test by water under pressure).

"(3) The room shall be effectually protected against the rising of any effluvium or exhalation by means of a layer of asphalt or of good concrete at least 6 inches thick, or 4 inches thick if properly grouted, laid upon the ground of the site of the entire room,

or in some equally effectual manner; any such concrete shall be composed of at least one part of good Portland cement thoroughly incorporated with six parts of stone ballast or other suitable material.

"(4) The space, if any, beneath the floor of the room shall be provided with adequate means of thorough ventilation.

"(5) (i) Every wall of the room shall be provided with a proper horizontal damp-proof course which, if the floor of the room be formed of woodwork, shall be beneath the level of the lowest timbers or woodwork of such floor, and in every other case shall be not less than 1 inch below the level of the upper surface of such floor.

"(ii) No part of any wall of the room shall, where it is practicable to avoid it, be in contact with the ground or earth.

"Provided that where any wall of the room is in contact with the ground or earth, such wall or such part thereof as is so in contact shall, unless constructed as a hollow wall, have an efficient damp-proof vertical course extending from the base thereof to a height of at least 6 inches above the surface of such ground or earth. A damp-proof course for the purposes of these regulations shall consist of sheet lead, asphalt, vitrified stoneware, or a double layer of slates laid to break joint, bedded top and bottom in cement in the proportion of not more than one part of clean sharp sand to one of cement.

"(6) Unless the room is provided with a fireplace and a flue properly constructed and properly connected with such fireplace, it shall be provided with special and adequate means of ventilation by one or more suitably placed apertures or air shafts.

"(7) There shall be outside and adjoining the room,

and extending along the entire frontage thereof, except as regards the portion of the frontage occupied by the steps hereinafter mentioned, and open upwards from 6 inches below the level of the floor thereof, an area or open space of a mean width not less than the height of the room from the floor to the surface of the street, and in no case less than 3 feet 6 inches, properly paved and effectually drained in every part.

"Provided that in the area there may be placed steps necessary for access to the room, and over and across such area there may be steps necessary for access to any building above the room if the steps in each case be so placed as not to be over or across any external window of the room.

"(8) The room shall have in every part thereof at least 3 feet of its height above the surface of the street adjoining or nearest to the room.

Provided that if an area be constructed as aforementioned the height of the room above such surface may be less than 3 feet, but in no case more than 1 foot below such surface.

"(9) (i) The room shall be effectually lighted by means of one or more windows opening directly into the external air.

"(ii) Every such window shall be so constructed that one half at the least may be opened, and that the opening may extend to the top of the window.

"(iii) The total area of such window or windows clear of the sash frames shall be equal to at the least one-eighth of the floor area of the room.

"(iv) In estimating the area of a window or windows for the purposes of this regulation no account shall be taken of any part of any such window which is above the mean level of the ceiling of the room.

"(v) Any such window or windows shall overlook the area or open space provided in pursuance of the regulation in that behalf."

The regulations in operation in any district may of course be obtained on application to the Medical Officer of Health; the above have merely been quoted in order that the full effect of section 17 (7) of the Housing, Town Planning, etc. Act may be appreciated.

The following quotations from the London County Council Byelaws made by the Council on 10th November 1904 and allowed by the Local Government Board on 3rd January 1905, and the London County Council (General Powers) Act 1907, Part XII. 78, may be useful:—

179. **Byelaw as to Water-Closet Accommodation.**—"The owner of any lodging-house shall, subject to the provisions hereinafter specified, provide and maintain in connection with such house, water-closet, earth-closet, or privy accommodation in the proportion of not less than one water-closet, earth-closet, or privy for every twelve persons of such house."

180. **Enactment as to Water Supply.**—"For the purposes of section 48 (provisions as to house without proper water supply) of the Public Health (London) Act 1891, a tenement house shall be deemed to be a house without a proper and sufficient supply of water, unless there shall be provided on the storey or one of the storeys in which the rooms or lodgings in the separate occupation of each family occupying such house are situate a sufficient provision for the supply of water for domestic purposes.

"Provided that, with respect to any building existing and in use as a tenement house at the passing of this Act, this section shall not (*a*) come into operation until the first day of January 1908, or (*b*) apply where the only storey or storeys on which a proper and sufficient supply of water is not provided is or are a storey or storeys (i) constructed at a height exceeding that to which the Metropolitan Water

Board may for the time being be required to furnish a supply of water for domestic purposes, and (ii) to which a supply of water for such purposes is not at the passing of this Act being furnished by the said Board by agreement."

180A. **Land Tax.**—The redemption of land tax may be taken at thirty years' purchase of the tax, plus 25 per cent. of that amount for expenses.

180B. **Roads.**—The cost of roads may be roughly put at £1 per foot for each foot frontage the land in question has to the road to be formed or made up. The cost of road making in different districts varies widely: the actual cost should be ascertained.

180C. **Tithe.**—Tithe rent charge is better treated as an annual deduction, as it can only be redeemed in certain circumstances.

181. **The Rates of Interest on Investment.**—The table upon which any particular property should be valued naturally depends on a multitude of considerations which have been somewhat fully discussed in the earlier part of this chapter, and it would be idle to pretend to give any fixed rule. However, the table which follows may serve as a general guide.

It must of course be remembered that special circumstances often give a special value: property in a certain district may be in great demand, individual properties may possess special attractions, there may be parties in competition for possession of a certain property, and so on, and in that case prices better than those usually paid may be secured, which for the time being gives a property a special value, or a special value to certain individuals, it may be, which may be more or less fictitious, and more or less temporary.

It may be noted also that persons buying property for occupation often pay more than the value from the in-

vestor's point of view. There are properties in plenty which, if they change hands at all, always do so at more than their value in the ordinary acceptation of the term.

The Building Societies' practice of making heavy advances to purchasers, under repayment by instalment schemes, has no doubt led many buyers greatly to over-estimate the value of the property they purchased: they have assumed from the fact of a society being ready to make a certain advance that the property was worth twice that amount or at least one-third more, whereas, as a matter of fact, the advance has equalled perhaps 80 per cent. of the value, and they have therefore been ready to buy at a price which they would not have been advised to pay had an independent valuation been made.

TABLE.

	Per Cent.
Freehold Ground Rents amply secured on first-class property from . .	3 to 3½
,, ,, ,, well secured on suburban property . . .	4 to 4¼
,, ,, ,, say three times secured on similar property . .	4¼ to 4½
,, ,, ,, secured on small properties which let on weekly tenancies . . .	4½ to 5
Freehold House Property, first class . . .	4 to 5
,, ,, ,, fair class . . .	5 to 6
,, ,, ,, small class . . .	6 to 7
,, ,, ,, small class, letting on weekly tenancies .	7 to 8

Perpetual Leases. These may usually be valued as if freeholds, making the proper capital deduction to meet the fines in perpetuity. Possibly a slightly higher table

would be adopted than that applicable to freeholds of similar class.

	Per Cent.
Long Leaseholds, first class	5 to 6
,, ,, fair class	6 to 7
,, ,, small class, letting on weekly tenancies	8 to 9

Short Leaseholds. No figure can be suggested, so much depending on the length of the term unexpired, and other considerations.

	Per Cent.
Agricultural Land	3½ to 4
Accommodation Land	4 to 5
Ripe Building Land	5 to 6

Copyhold Property (enfranchisable). This may be valued as freehold, the proper capital deduction being made for the cost of enfranchisement.

CHAPTER VII.

WORKED EXAMPLES.

Worked Examples in the Valuation of Freehold Ground Rents—Agricultural Land — Accommodation Land—Freehold House Property—Lifeholds—Perpetual Leases—Leaseholds—Property in a Transitory State—Building Estates. Miscellaneous Examples—Calculation of Sitting Rents—Rent at which Properties must Let to Produce a Given Return on the Purchase Price—Premiums—Renewal Premiums—Reduction in Rent to be allowed for Capital Outlay or Premium.

182. The present chapter will be devoted to giving worked examples of valuations of various properties, and some of the assessments and calculations which form part of the valuer's work.

The mere calculations—multiplication, division, and so on—which it is not necessary to show, but which must of course be made in the process of the work, should always be kept in the left-hand margin, quite apart from the statement, which should be given in the order and in the form shown. The present omission of the mere workings, therefore, makes no difference whatever in the form of the example.

The student cannot attach too much importance to the proper method in setting down the statement of his valuation. It is usually very difficult to impress students sufficiently with the necessity for attention to this matter. The habit is easily acquired by studying good examples. Method prevents many mistakes, and in practice, too, it is most important that a perfectly clear record should be kept for future reference. There is advantage, therefore, both from the point of view of the student and examinee, and from that of the busy professional man whom he, sooner or later, hopes to become.

Numerous worked examples in

(*a*) The construction of the valuation tables;
(*b*) Values and duties under the Finance (1909–1910) Act 1910;
(*c*) Copyhold enfranchisement;
(*d*) Assessments for rating purposes;
(*e*) Compulsory purchase or compensation;
(*f*) Valuation for mortgage,

are given in the separate chapters devoted exclusively to those branches of the work (Chapters IV., VIII., IX., XI., XII., XIII.).

Further examples will be found in Appendices A and C.

Examples.

FREEHOLD GROUND RENTS.

Question 13.—What is the Present Value of a Freehold Ground Rent of £10 per annum Secured upon Five Small Houses held for a Term of 99 Years and Let to Weekly Tenants at Rents Amounting to £70 per annum?

Solution.—£10 per annum in perpetuity at 5 per cent. = £10 at 20 years' purchase.

Present value . . = **£200 0 0**

Notes on Solution.—The 5 per cent. table has been used because the ground rent is poorly secured on a somewhat indifferent property. The reversion is remote.

Definition, Chapter II. § 28. See also Chapter II. § 30; Chapter VI. § 139.

AGRICULTURAL LAND.

Question 14.—What is the Value of 100 Acres of Agricultural Land with Suitable Farm Buildings thereon Let at 30s. per Acre? The Property is Subject to Tithe Rent Charge (Septennial Acreage) £25 per annum. Landlord Supplies Tenant with Materials for Repair which Cost on an Average £16, 10s. per annum, and Tenant finds his own Labour. The Fire Insurance is Effected by the Owner at a Cost of £3, 10s. per annum.

Solution.—Assuming it to be a 4 per cent. investment, the workings will be as follows:—

100 acres of land at £1, 10s. per acre per annum. .		= £150 0 0 per annum.
Deduct outgoings borne by landlord:		
Tithe rent charge per annum .	= £25 0	
Materials for repairs per annum .	= 16 10	
Fire insurance premium per annum . .	= 3 10	
Collection and management per an. 5 per cent.	= 7 10	
Contingencies per an. 2½ per cent.	= 3 15	
		= 56 5 0
Estimated net annual income .		= £93 15 0

£93, 15s. per annum in perpetuity at 4 per cent. = £93·75 at 25 years' purchase . . = **£2343 15 0**

See Chapter II. § 23; Chapter VI. § 140.

ACCOMMODATION LAND.

Question 15.—Land is Let for Accommodation Purposes at £4 per Acre. In Ten Years' Time it will Let to a Syndicate on a Building Lease at £90 per Acre per Annum. What is the Present Value of this Land per Acre?

Solution.—£4 per annum for 10 years at 4 per cent. = £4 at 8·11 years' purchase = £32 9 0

£90 per annum in perpetuity after 11 years.

Perpetuity at 5 per cent. . . .	= 20	y.p.
11 years at 5 per cent.	= 8·30641	,,
Perpetuity after 11 years . . .	= 11·69359	,,
£90 at 11·693 years' purchase		= 1052 0 0
Present value per acre . .		= **£1084 9 0**

Notes on Solution.—A year's peppercorn has been assumed. The 4 per cent. and 5 per cent. tables have been used, presuming it to be a case in which they are applicable.

See Chapter II. § 25; Chapter VI. §§ 140 and 168.

The £90 per annum in perpetuity after 11 years cannot be treated as a secured ground rent. It is dealt with as building land which will be worth £90 per annum in 11 years' time. A year has been allowed for letting. (See footnote, page 161.)

FREEHOLD HOUSE PROPERTY.

Question 16.—Property was Let in 1842 on a Lease for 99 Years at £16 per annum Ground Rent. The Rental Value of the Property is now £205 per annum on full Repairing Lease. What is the Present Freehold Value? Assume that the Valuation is made in 1910.

Solution.—

Lease granted in	1842	
Term	99	
Expires in	1941	
Valuation made in	1910	
Years unexpired at date of valuation	31	
£16 per annum for 31 years at 3½ per cent. = £16 at 18·7362 years' purchase		= £299 15 0
Rental value on lease per annum	= £205 0 0	
Deduct for contingencies 2½ per cent., say =	5 0 0	
Estimated net income per annum	= £200 0 0	

£200 per annum in perpetuity after 31 years.

Perpetuity at 6 per cent. =	16·66 y. p.	
31 years at 6 per cent. =	13·93 „	
Perpetuity after 31 years =	2·73 „	
£200 at 2·73 years' purchase		= 546 0 0
Value of the property in 1910		= £845 15 0

Notes on Solution.—The ground rent is very well secured, the rack rents covering it nearly 13 times, and therefore the 3½ per cent. table has been adopted in valuing the ground rent for 31 years. In valuing the reversion to the rack rent after the termination of the 99 years' lease, the 6 per cent. table has been adopted for example, but as the buildings would then be very old, it is probably quite the lowest table which should be used. However, the well-secured ground rent, and the near reversion, assuming the buildings are sound and in good repair, are points which tend to make it a very saleable property.

See Chapter II. § 12; Chapter VI. § 124, and on.

LIFEHOLDS.

Question 17.—A is Entitled to Leasehold Property after the Death of his Mother (Aged 60) and his Aunt (Aged 70). The Net Income from the Property is £200 per annum. The Lease has now 35 Years to run. What is the Value of A's Interest?

Solution.—35 years on 6 per cent. table = years' purchase . . = 14·4982
Value of an annuity to endure during the continuance of either of two lives according to the Northampton table, 6 per cent., page 171, Inwood = 9·0580
Term unexpired when lives fall in, worth years' purchase . . = 5·4402
Net income per annum £200.
£200 at 5·4402 years' purchase . . . = **£1088 0 0**

Notes on Solution.—This is a case of a reversionary interest which will not be entered upon until after the death of *both* of the parties now enjoying the income.

It is a very speculative property, and there will be no income received at all for probably 13 or 14 years. It is not therefore attractive to the ordinary private investor.

It should be noted that the Northampton Table gives a higher rate of mortality than generally prevails among healthy lives, and consequently in using it in valuing a reversionary interest we obtain what is probably rather a high value. The 6 per cent. table has been used, for example, but as it is a short leasehold interest, that could only be done assuming it is a first-class property.

See Chapter II. § 13; Chapter VI. §§ 144, 149, and 150.

Question 18.—After the Death of Two Lives, aged 50 and 60 respectively, A will become the Possessor of Freeholds Estimated to Produce £500 per annum Net Income. What is the Value of A's Interest To-day?

Solution.—£500 per annum in perpetuity after two lives at 5 per cent.
Perpetuity at 5 per cent. . . = 20 y. p.
Ages 50 and 60 . = 12·093 „
Perpetuity after lives = 7·907 „
£500 at 7·907 years' purchase = A's interest . = **£3953 10 0**

Notes on Solution.—With the exception that the property is to be enjoyed in perpetuity after the lives, the remarks made in connection with the last example apply to the present case.

See Chapter VI. §§ 148, 149, and 150.

Question 19.—What is the Value of the Life Interest of a Person aged 41, in a Freehold House Producing an Average Net Annual Income of £75 per annum?

Solution.—£75 per annum to be enjoyed during the life of a person now aged 41 at 6 per cent. = £75 at 11·89 years' purchase.
Value of the lifehold estate . . . = **£891 15 0**

Notes on Solution.—In this case the Carlisle Table, which gives a rate of mortality more nearly approximate to the truth if applied to healthy lives, has been used. It may be noted that, so far as valuing from the point of view of vendor and purchaser is concerned, using this table rather than the Northampton Table favours the vendor.

Only one life is concerned here, and the income will be received so long only as the life concerned endures.

In view of the speculative nature of the property, it would be safer to take out an insurance policy on the life concerned, then, when the life fails and the annuity ceases, the money received under the policy will meet the contingency.

See Chapter VI. § 146, and on.

Question 20.—A died leaving Freehold Estate to his Son B, subject to the Payment of an Annuity of £500 to a Relative C for her Life. C is aged 55. In Valuing the Estate, what Allowance should be made in Respect of the Annuity?

Solution.—The cost of an immediate life annuity of £1 per annum, according to the table on page 189 of Inwood's book, for a female life aged 55, is shown to be £15, 2s. 4d. This is as nearly as possible £15·13.

The cost of an annuity of £500 per annum will therefore be £15·13 × 500 . . . = **£7565 0 0**

Notes on Solution.—The amount given is the price of the annuity. If the intention is to substitute a government annuity, and to thus free the estate, solicitors would have to arrange the matter, and fees and costs would be incurred. These would be ascertained and added.

See Chapter VI. § 145 (6).

Question 21.—A is Entitled to Receive Property of the Capital Value £5000 on the Death of his Uncle B, aged 65 Years. C is willing to purchase A's Interest. What should he Pay?

Solution.—The single payment to secure £1 receivable on the death of a healthy male now aged 65 years at 5 per cent. is, according to Inwood (page 149), £·60092.

To secure £5000 the amount is £·60092 × 5000 = **£3004 12 0**

Notes on Solution.—It is not everyone who is ready to put down £3004 and receive no income for about 11 years. But the question states C is prepared to purchase, and the 5 per cent. table has been adopted.

PERPETUAL LEASES.

Question 21a.—What is the Present Value of a Corporation Lease Renewable in Perpetuity on Payment of a Fine of £20 every 14 Years? The Net Annual Income from the Property is £650. The Fine was Last Paid 7 Years Ago.

Solution.—£650 in perpetuity at 5 per cent. =
£650 at 20 years' purchase . . = £13,000 0 0
Deduct to meet fines—
(*a*) Present value of £20 due in 7 years at 3 per cent. =
£20 × ·81309 . . = £16 5 0
(*b*) Amount which, put by at 3 per cent., will produce in compound interest (leaving capital untouched) £20 every 14 years = £39.
Present value of £39 in 7 years =
£39 × ·81309 . . = 31 14 0
= £47 19 0 say 48 0 0
Value of lease at present time . = **£12,952 0 0**

Notes on Solution.—The amount necessary to provide for the payment of the fines is very trivial compared with the value of the property. The example is, however, particularly useful in showing how the calculation may be made without the use of any specially prepared tables.

With regard to paragraph (*b*), the amount of £1 for 14 years at 3 per cent. is 1·51259, and the interest which £1 will produce in the given period at the given rate is therefore ·51259. As we require to accumulate £20 every 14 years, we shall need $\frac{20}{\cdot 51259} = £39$

nearly. But as this sum need not be put by until 7 years have elapsed, we take now its present value, or £31, 14s.

See Chapter VI. §§ 133 and 155 (5).

LEASEHOLDS.

Question 22.—What is the Present Value of a Good-Class Leasehold House Held for a Term of 48 Years Unexpired at a Ground Rent of £10 per annum, which is Subleased for 21 Years (now 5 Years Unexpired) at £60 per annum? The Rental Paid by the Sublessee is the Fair Rental Value of the Property.

Solution.—Rent reserved . = £60
Deduct ground rent . . = £10
„ contingencies at 5 per cent. . . . . = 3
= £13
= £47

£47 per annum for 48 years at 6 per cent.
= £47 at 15·65 years' purchase.
Present value . . = **£735 11 0**

Notes on Solution.—As the property is described as of good class and the ground rent is not an unduly heavy burden, the 6 per cent. table has been adopted, although the unexpired term is only 48 years. 5 per cent. has been allowed to meet the contingency of unproductive periods and renewals, which, even under the most stringent lease, would fall upon the owner.

See Chapter VI. § 154, and on.

Question 23.—What is the Present Value of a Leasehold House held for a Term of 48 Years Unexpired at a Rent of £30 per annum, and which will Sublease at £130 per annum with a Premium of £100 for a 21 Years' Lease? The Property is at Present Unoccupied. The Repairs which are Needed to Fit the Property for Leasing will cost £75. Houses in the District Let Readily.

Solution.—Rent . . . = £130 0 0
£100 spread over 21 years at 5 per cent. = £100 ÷ 12·821 . = 7 16 0
= £137 16 0

Deduct ground rent = £30 0
Contingencies, 5 p.c. = 6 16
= £36 16 0
= £101 0 0

£101 for 48 years at 7 per cent. = £101 at 13·730 years' purchase . . . . = £1386 14 0

Deduct—

Cost of necessary repairs .	= £75 0 0	
Loss of rent pending letting	= 25 0 0	
		= £100 0 0
Present value .		= £1286 14 0

Notes on Solution.—It has been assumed that the property is a 7 per cent. investment.

Chapter VI. § 154, and on.

Question 24.—What Price should be Paid for a First-Class Leasehold House held for a Term of 46 Years Unexpired at a Ground Rent of £15 per annum, which was Sublet 5 Years Ago on a 21 Years' Lease at a Rent of £89 per annum, with a Premium of £460?

Solution.—

Reserved rent per annum	= £89 0 0	
Ground rent	= 15 0 0	
	= £74 0 0	
£74 per annum for 16 years at 6 per cent = £74 at 10·106 years' purchase		= £747 16 0
Reserved rent per annum .	= £89 0 0	
£460 spread over 21 years at 5 per cent. = £460 ÷ 12·821	= 36 0 0	
	= £125 0 0	

Deduct—

Ground rent . .	= £15	
Contingencies, 2½ per cent. . .	= 3	
	= 18 0 0	
	= £107 0 0	
£107 per annum for 30 years after 16 years at 6 per cent. = £107 at 5·418 years' purchase		= 579 14 0
Present value . .		= £1327 10 0

Notes on Solution.—This is described as first-class property, and as the house is already leased for 16 years unexpired at a low rent which is excellently secured, the 6 per cent. table has been adopted.

Chap. VI. § 154, and on.

PROPERTY IN A TRANSITORY STATE.

Question 25.—VALUE £10 A YEAR FOR 10 YEARS, THEN RISING TO £30 PER ANNUM FOR 10 YEARS, AND THEN RISING TO £100 PER ANNUM FOR 10 YEARS, AND AFTER THAT BECOMING £200 A YEAR IN PERPETUITY. TAKE IT AT 3 PER CENT. FOR THE FIRST 10 YEARS, 4 PER CENT. FOR THE SECOND 10 YEARS, 5 PER CENT. FOR THE THIRD 10 YEARS, AND 6 PER CENT. FOR THE REMAINDER.

Solution.—

£10 per annum for 10 years at 3 per cent. = £10 × 8·53 . . . . =	£85	6	0
£30 per annum for 10 years after 10 years at 4 per cent. = £30 × 5·48 . . . . =	164	8	0
£100 per annum for 10 years after 20 years at 5 per cent. = £100 × 2·91 . . . . =	291	0	0
£200 per annum in perpetuity after 30 years at 6 per cent. = £200 × 2·90 . . . . =	580	0	0
	= £1120	14	0

Notes on Solution.—The rates of interest have been dictated in the question.

Chapter VI. § 134. (See footnote, page 161.)

Question 26.—WHAT IS THE VALUE OF 10 ACRES OF LAND WHICH FOR 5 YEARS WILL REMAIN AGRICULTURAL LAND WORTH £2 PER ACRE PER ANNUM, FOR THE NEXT 5 YEARS IT WILL BE ACCOMMODATION LAND WORTH £5 PER ACRE PER ANNUM, AND AFTER THAT WILL BE RIPE BUILDING LAND WORTH £30 PER ACRE PER ANNUM GROUND RENT? IT WILL PROBABLY BE 10 YEARS BEFORE IT IS ALL LET AND THE GROUND RENT SECURED. THE RENTS MENTIONED ARE TO BE TAKEN AS NET INCOMES. ALLOWANCE HAS ALREADY BEEN MADE FOR COST OF ROADS, INTEREST ON CAPITAL, AND EXPENSES, AND THE ACREAGE OCCUPIED BY ROADS IS NOT INCLUDED IN THE 10 ACRES. VALUE ON THE 3 PER CENT., 4 PER CENT., 3½ PER CENT., AND 3 PER CENT. TABLES.

Solution.—

Agricultural Land, 3 per cent.

£20 p.a. for 5 years = £20 at 4·580 years' purchase =	£91	12	0

Accommodation Land, 4 per cent.

£50 per annum for 5 years after 5 years = £50 at 3·659 years' purchase . . . . =	182	19	0
Carried forward .	£274	11	0

Brought forward .	£274 11	0
Secured Ground Rent, 3½ per cent.		
£165 per annum (average) for 10 years after 10 years = £165 at 5·895 years' purchase . =	972 13	0
£300 per annum (full) in perpetuity after 20 years at 3 per cent. = £300 at 18·456 years' purchase . . . . . =	5536 16	0
	= £6784 0	0

Notes on Solution.—The freeholder will receive £20 per annum for 5 years; £50 per annum for 5 years after 5 years; $\frac{1}{10}$ of £300 per annum, or £30 per annum, for 1 year after 10 years; $\frac{1}{5}$ of £300 per annum, or £60 per annum, for 1 year after 11 years; $\frac{3}{10}$ of £300 per annum, or £90 per annum, for 1 year after 12 years, and so on, averaging the ground rent until it is fully secured, and £300 in perpetuity after 20 years.

Referring to the third item in the foregoing example (£165 per annum for 10 years after 10 years), the £165 is the average rent per annum which will be received for that period, found thus:—

1st year,	$\frac{1}{10}$	of	£300	is	£ 30
2nd ,,	$\frac{2}{10}$	,,	,,	,,	60
3rd ,,	$\frac{3}{10}$	,,	,,	,,	90
4th ,,	$\frac{4}{10}$	,,	,,	,,	120
5th ,,	$\frac{5}{10}$	,,	,,	,,	150
6th ,,	$\frac{6}{10}$	,,	,,	,,	180
7th ,,	$\frac{7}{10}$	,,	,,	,,	210
8th ,,	$\frac{8}{10}$	,,	,,	,,	240
9th ,,	$\frac{9}{10}$	,,	,,	,,	270
10th ,,	$\frac{10}{10}$	,,	,,	,,	300
					£1650

$\frac{1}{10}$th (average) of which is £165. This is less exact than making a separate calculation for each year, but is sufficiently near, and is less tedious.

The rates of interest dictated in the question are very low, and we must assume an exceptionally attractive property.

See Chapter VI. § 134. (See footnote, page 161.)

BUILDING ESTATES.

Question 27.—What is the Value of a Freehold Building Estate of 4 Acres which will be laid out with 40-feet Roads? Each Plot is to have a Frontage of 20 feet and a Depth of 120 feet. It will take 4 Years to Develop and Dispose of the Whole of the Ground Rents which will be Secured, which it is Estimated will be on the Basis of 10s. per foot Frontage and sell to pay the Purchaser 5 per cent. The Price to be Paid for the Estate as it Stands

MUST BE SUCH THAT THE PURCHASER WILL RECEIVE 10 PER CENT. FOR HIS MONEY. THE PURCHASER COULD ONLY ACCUMULATE ANY SUMS RECEIVED DURING THE PERIOD OF DEVELOPMENT AT 3 PER CENT. THE COST OF FORMING THE ROADS, FEES, COMMISSIONS, AND EXPENSES WILL BE £1850.

Solution.—4 acres = 174,240 super feet.

Depth of plot . . . . . = 120 feet.
Half road . . . . . = 20 ,,
= 140 ,,
Frontage . . . . . = 20 ,,
Super feet per plot . . . . = 2800 ,,

Number of plots obtainable = $\frac{174,240}{2800}$ = 62 plots.

62 plots, 20 feet frontage each = 1240 feet frontage.
62 plots at 10s. per foot frontage = £620 per annum ground rent
£620 per annum in perpetuity at 5 per cent. = £620 at 20 years' purchase . = £12,400 0 0
Deferred 4 years at 10 per cent. = ·68301
= £8469 0 0

Receipts from Ground Rents and Compound Interest thereon.

155 per annum in 4 years at 3 per cent. = £155 × 4·18363	= £648	9 0
155 per annum in 3 years at 3 per cent. = £155 × 3·0909	= 479	1 0
155 per annum in 2 years at 3 per cent. = £155 × 2·03	= 314	13 0
Final amount to be received .	= 155	0 0
	= £1597	3 0

Deduct—

Estimated cost of development, fees, stamps, commissions, etc. = £1850. Amount of £1850 in 4 years at 10 per cent. = £1850 × 1·46410	= £2708	11 0
Less income during 4 years and accumulated interest at 3 per cent. . . .	= 1597	3 0
	= 1111	8 0
	= £7357	12 0

Notes on Solution.—The solution supposes the estate to be a rectangular piece of land which divides up into the number of plots stated. In practice, of course, it would seldom be so, and the matter could only be exactly dealt with with the aid of a reliable plan.

See Chapter VI. § 140.

It has been assumed that one-fourth of the total ground rent, £620, viz. £155, will be received at the end of the first year, and that there will therefore be four such amounts received, with intervals of a year, by the end of the fourth year; and that a second quarter of the whole ground rent, £155, will be received at the end of the second year, and that there will therefore be three such amounts received by the end of the fourth year; that the third quarter of the whole ground rent, £155, will be received at the end of the third year, and there will therefore be two such amounts received by the end of the fourth year; and the final quarter, £155, will be received at the end of the fourth year, immediately after which the property is assumed to be sold.

It will be noticed that the accumulating compound interest on the annual annuities of £155 each will be for 3 years, for 2 years, and for 1 year respectively, and that there will be no interest on the final quarter of £155, which is the last sum to supplement the fund.

It may be useful to point out again that when we take the amount of £1 per annum for say four years from Inwood's Tables, we obtain the result of four separate successive annual annuities of £1 each, with accumulated compound interest over a period of 3 years.

This example has been worked on the assumption that the estate is purchased, developed, and sold immediately after completion, the purchaser making 10 per cent. on the turnover.

Three per cent. interest only has been allowed on the rents received during development.

Miscellaneous Examples.

Question 28.—Which Arrangement would you Consider the Better of the Two from the Landlord's Point of View—to Lease Premises on 21 Years' Lease at £139 per annum, or to Accept £100 per annum Rent and Take a Premium of £500 for the Lease?

Solution.—Rent per annum . . . . = £100 0 0

Premium £500 spread over 21 years at 5 per cent. = £500 ÷ 12·82115 . . . . = 39 0 0

= £139 0 0

As this works out to the same rental value as that suggested to be reserved in the lease, I should consider the landlord wise to take

part of the rent in premium, as he thereby obtains excellent security for the fulfilment of the lessee's covenants.

Notes on Solution.—If the lessor intends to sell his property at once he might not be wise to take a premium, because he would probably find it difficult to persuade a purchaser to value on the basis of rental value rather than the reserved rent.

See Chapter II. § 10; Chapter V. § 96.

Question 29.—What is the Value of 10 Acres of Land which are now let for Agricultural Purposes at 30s. per Acre per annum, but which in 10 Years' Time will become Accommodation Land Worth £5 per Acre per annum for a Further Period of 6 Years, and after that Time will be Ripe for Building Purposes and Worth a Ground Rent of £20 per Acre per annum?

Solution.—£15 per annum for 10 years at 4 per cent. = £15 at 8·11 years' purchase . = £121 13 0

£50 per annum for 6 years after 10 years at 5 per cent.

16 years at 5 per cent. = 10·83777 y. p.

10 „ „ = 7·72173 „

6 „ after 10 years = 3·11604 „

£50 at 3·11604 years' purchase . . . = 155 16 0

£200 in perpetuity after 17 years at 6 per cent.

= £200 at 6·18941 years' purchase . . = 1237 17 0

Present value . . . = £1515 6 0

Notes on Solution.—The £200 per annum has been valued in perpetuity after 17 years, instead of 16 years, because it is quite unlikely there will be any appreciable income for the first year after the land becomes building land. The 6 per cent. table has been adopted because the income suggested by the question is at the present time quite unsecured and there is nothing to suggest how long it will be before the land will be fully developed and an income assured.

See Chapter VI. § 140. (See footnote, page 161.)

Question 30.—What is the Value of a House Let on a 3 Years' Agreement at £60 per annum and held for 45 Years at £12 per annum Ground Rent. The House was thoroughly done up for the Present Tenant, who has been in Occupation 2 Years.

Solution.—Rent . . . = £60 0 0
Deduct—
Ground rent . = £12 0
Repairs,
15 per cent. . = 9 0
Contingencies,
5 per cent. . = 3 0
Insurance . . = 10
= 24 10 0
Net annual income . = £35 10 0
£35, 10s. for 45 years at 7 per cent., reinvesting at 3 per cent = £35·5 at 12·37854 years' purchase . . . . . = £439 8 0
Deduct for present repairs . . . . = 20 0 0
Present value . . = £419 8 0

Notes on Solution.—Of course the question of the proper allowance for average annual repairs and contingencies, as well as the rate of interest the investment should pay, depends on the exact circumstances. In this case the lease is getting short and the ground rent is a heavy burden. The special table showing 7 per cent. on investment and 3 per cent. on reinvestment has been adopted.

As the present tenant has been in occupation 2 years, and the house was thoroughly repaired on his taking the house, it would appear that the owner may expect to have to do repairs and redecorations again in a year's time, and £20 has therefore been deducted as the proper present contribution to the provision for the probable outlay.

Question 31.—Find the Sum which a Lessee ought to Pay for the Renewal of 40 Years Lapsed in his Lease Granted for 60 Years.

Solution.—60 years at 5 per cent. years' purchase . = 18·929
20 years at 5 per cent. years' purchase . . . . = 12·462
40 years after 20 years at 5 per cent. years' purchase . = 6·467

The lessee should pay 6·467 years' purchase of any (if any) profit rental enjoyed under the lease he wishes to renew.

Notes on Solution.—The question asks what sum should be paid for renewing the lease, but no particulars are given which shows that any sum should be paid. It entirely depends on what profit rental (if any) is enjoyed under the lease. Consequently all that can be said in answer is that the lessee should pay a certain number of years' purchase of any (if any) profit rental which would be enjoyed under the renewed lease.

See Chapter II. § 10.

Question 32.—What is the Fee Simple Value of 12 Acres of Land now Let at 35s. per Acre, but which will be Ripe for Building Purposes at the end of 5 Years, and should then Sell for £400 per Acre, at the Rate of two Acres a Year? Capitalise the Annual Income at 3½ per cent., and Defer the Capital Payments at 5 per cent.

Solution.—£21 per annum for 5 years at 3½ per cent. = £21 at 4·51 years' purchase = £94 14 0

£400 deferred 5 years at 5 per cent.
= £400 × ·78353 . . . . . = 313 8 0

£800 deferred 6 years at 5 per cent.
= £800 × ·74622 . . . . . = 596 19 0

£800 deferred 7 years at 5 per cent.
= £800 × ·71068 . . . . . = 568 10 0

£800 deferred 8 years at 5 per cent.
= £800 × ·67684 . . . . . = 541 9 0

£800 deferred 9 years at 5 per cent.
= £800 × ·64461 . . . . . = 515 13 0

£800 deferred 10 years at 5 per cent.
= £800 × ·61391 . . . . . = 491 2 0

£400 deferred 11 years at 5 per cent.
= £400 × ·58468 . . . . . = 233 17 0

= £3355 12 0

See Chapter VI. § 140.

Question 33.—A Shop worth £200 per annum is to be Let on Lease for a Term of 40 Years at a Rent of £100 per annum, and the Lessee is to Pay a Premium. What should be the Amount of this Premium?

Solution.—Rental value per annum . . . . = £200 0 0
Rent to be reserved . . = 100 0 0
Profit rent per annum . = £100 0 0

£100 per annum for 40 years at 5 per cent.
= £100 at 17·16 years' purchase . . = £1716 0 0

See Chapter II. § 10; Chapter VI. § 95.

Question 34.—A holds Good-class Premises from the Freeholder on a Lease for 99 Years at a Ground Rent of £6 per annum, he having Subleased same to B soon

AFTER HE OBTAINED THE LEASE, AT £60 PER ANNUM ON A 14 YEARS' LEASE, WHICH IS NOW 3 YEARS UNEXPIRED. THE PROPERTY IS AT PRESENT CHARGED WITH £32 FOR PAVING AND ROAD MAKING, FOR WHICH A IS LIABLE. VALUE THE LEASEHOLDER'S INTEREST.

Solution.—Rent per annum = £60 0 0

Deduct—

Ground rent .	= £6 0	
Contingencies, 2½ per cent. .	= 1 10	
	= 7 10 0	
Net annual income .	= £52 10 0	
£52, 10s. for 99 − (14 − 3) = 99 − 11 = 88 years at 6 per cent. = £52·5 at 16·56783 years' purchase		= £869 16 0
Deduct for road making		= 32 0 0
		= £837 16 0

Notes on Solution.—As the sublease was granted directly after the head lease was obtained, and the former is 3 years unexpired, the transaction took place 11 years ago, and the head lease is now 99 − 11 or 88 years unexpired. An allowance of 2½ per cent. for contingencies throughout the full period has been made, as the sublease has only 3 years to run.

This being a long lease and the ground rent quite small in proportion to the rack rental value, the 6 per cent. table has been adopted. See Chapter V. § 93.

Question 35.—A BUYS A LEASEHOLD HOUSE FOR £7000 IN 1914; THE TERM EXPIRES IN 1942, AND THE GROUND RENT IS £50. AT WHAT RENT MUST A LET THE HOUSE IN ORDER TO OBTAIN INTEREST AT 5 PER CENT. ON HIS OUTLAY AND PROVIDE A FUND TO REPAY CAPITAL AT THE END OF THE TERM?

Solution.—£7000 spread over 28 years at 5 per cent., reinvesting at 3 per cent. = £7000 ÷ 13·644 years' purchase . . = £513 0 0

Add ground rent . . . . . = 50 0 0

Net annual income which the property must return . . . . . = £563 0 0

If the property is to be let on full repairing lease, add 2½ per cent. for contingencies . = 14 0 0

Rent to be reserved on lease . . = £577 0 0

Notes on Solution.—As the lessee desires to know the rent at which he must let the property to pay him 5 per cent. on investment, the special table calculated on the basis of investment at 5 per cent. and reinvestment at 3 per cent. has been adopted, as it is improbable that the sinking fund could be accumulated at a higher rate than 3 per cent. by a private investor in a single transaction. Where there are general dealings in property the case is different, and one investment may be made to serve as the sinking fund in the case of another investment.

Two and a half per cent. has been added to the net annual income to provide against contingencies and renewals which a lessor has to bear even under the most stringent lease.

A appears to be satisfied with a very low rate of interest on a short leasehold investment!

CALCULATION OF SITTING RENTS.

Question 36.—A House is let on Repairing Lease for 21 Years at a Rent of £120 per annum. The Lease was granted in consideration of the Lessee's Expenditure of £250 on the Property at the commencement of his Term. At what Rent does he Sit?

Solution.—

Rent	= £120	0	0
£250 spread over 21 years at 5 per cent. =			
250 ÷ 12·821 years' purchase . . .	= 19	10	0
Sitting rent per annum . .	= **£139**	**10**	**0**

See Chapter II. § 37; Chapter V. § 105.

Question 37.—A Lessee Holds a Shop in a Main Street in a Town at a Rent of £500 per annum under a Lease for 21 Years. He Paid a Premium of £2000 on Entry; 6 Years after taking the Property he Expended £1000 upon Permanent Improvements. At what Rent does he Sit?

Solution.—

Reserved rent	= £500	0	0
£2000 spread over 21 years at 5 per cent. =			
£2000 ÷ 12·821 years' purchase . .	= 156	0	0
£1000 spread over 15 years at 5 per cent. =			
£1000 ÷ 10·380 years' purchase . .	= 96	6	0
Sitting rent . .	= **£752**	**6**	**0**

See Chapter II. § 37; Chapter V. § 105.

Question 38.—At what Rent does a Tenant Sit who holds Premises on Lease for 60 Years, he having just Renewed when 30 Years of his Original Lease of 60 Years were Expired at a Premium of £500. The Original Lease was granted on Condition that he (the Lessee) erected Buildings costing £5000, which Condition he of course Fulfilled. The Ground Rent under the Original Lease was £30 per annum, and that Reserved in the New Lease is £50 per annum, which is the Present Value of the Land. The Income arising from the Buildings may be taken at 6 per cent. Simple Interest on the Outlay.

Solution.—Reserved rent per annum . . = £50 0 0
Income from outlay, 6 per cent. on £5000 = per annum £300.

Surrendered Interest.

£300 for 30 years at 5 per cent. = £300 at 15·372 years' purchase . . .	= £4611	12	0
Profit rental on land under old lease. Value per annum £50, rent paid £30 = £20. £20 per annum for 30 years at 5 per cent. = £20 at 15·372 years' purchase . . .	= 307	8	0
Add renewal premium . .	= 500	0	0
	= £5419	0	0
£5419 spread over 60 years at 5 per cent. = £5419 ÷ 18·93 years' purchase . . .		= £286	5 0
Sitting rent per annum . .		= £336	5 0

Notes on Solution.—The sitting rent under the new lease is made up of the reserved rent plus the annual equivalent of the capital value of the interest unexpired in the original lease at the date of renewal, plus the premium paid. The first item is made up of two items, viz. the £300 per annum arising out of the outlay on buildings, and the £20 per annum difference between the rent reserved in the old lease and the present annual value of the land. These items may be added and their sum may be spread over the term

as shown, or their annual equivalents may be obtained separately. There is no advantage, however, in wasting time making separate calculations where one will suffice: they have been calculated separately in the example for the sake of clearness.

See Chapter II. § 37; Chapter V. § 105.

Question 39.—At what Rent does the Tenant Sit who holds Premises on 40 Years' Lease at £100 per annum, and who paid £500 Premium for his Lease?

Solution.—Reserved rent per annum . . = £100 0 0
£500 spread over 40 years at 5 per cent. =
£500 ÷ 17·159 years' purchase . . . = 29 3 0
Sitting rent per annum . . . = **£129 3 0**

See Chapter II. § 37; Chapter V. § 105.

Question 40.—At what Rent does a Tenant Sit who took Premises on 56 Years' Lease at £200 per annum, paying a Premium of £500 and Covenanting to Convert the House into Shop Property in 5 Years' Time, when it is Estimated it will be Ripe for that Development? The Cost of the Alterations is Estimated at £1000.

Solution. — Reserved annual rent . . . = £200 0 0
Premium paid . . = £500 0 0
Cost of improvements . = £1000
Estimated loss of rent . = 100
= £1100
Present value of £1100 in 5 years
at 3 per cent. = £1100 ×
·86261 . . . = 949 0 0
= £1449 0 0
£1449 spread over 56 years at 5 per cent. =
£1449 ÷ 18·698 years' purchase . . = 77 9 0
= **£277 9 0**

Notes on Solution.—In this case, as the lessee has covenanted to lay out a given sum within a given period, the sum which, if put by now and allowed to accumulate at 3 per cent., will produce the required sum within the given period has been treated as the capital sum. An addition has been made for the inevitable loss of rent which the lessee will sustain during the execution of the works.

The £1000 stated in the question as being the cost of the

improvements has been taken as covering not only the cost of the works, but architect's fees and all expenses involved.

See Chapter II. § 37; Chapter V. § 105.

Question 41.—At what Rent does a Tenant Sit who hires Premises for a Term of 21 Years, the Rent reserved in the Lease being £150 per annum, and the Premium paid for the Original Lease being £500? He has just Renewed when 3 Years of the Original Lease of 21 Years were Unexpired, paying a Premium of £400.

Solution.—Reserved rent per annum . . = £150 0 0

Premium . . . . = £400 0 0

£500 spread over 21 years at 5 per cent. = £500 ÷ 12·821 = £39 per annum.

£39 per annum for 3 years at 5 per cent. = £39 at 2·723 years' purchase . = 106 4 0

= £506 4 0

£506, 4s. spread over 21 years at 5 per cent. = £506·2 ÷ 12·821 years' purchase . . = 39 9 0

= £189 9 0

Notes on Solution.—The premium paid for renewal does not appear to be quite commensurate with the premium previously paid, but the question is not concerned with the correctness or incorrectness of the premiums paid. It is simply a question of sitting rent.

See Chapter II. § 37; Chapter V. § 105.

Question 42.—At what Rent does a Tenant Sit who originally took Premises on 50 Years' Lease at a Ground Rent of £10 per annum, laying out £1000 in the Erection of Buildings? He has just Renewed when 5 Years of his Original Lease were Unexpired, paying a Premium of £600 and undertaking to make Improvements Estimated to Cost £500 when the Sublease Falls in in 5 Years' Time. The Net Annual Income from the Buildings may be taken as the Annual Equivalent of the Capital Outlay spread over the Term of the Lease at 5 per cent.

Solution.—Ground rent . . . . . = £10 0 0
£1000 spread over 50 years at 5 per cent. =
£1000 ÷ 18·256 = £54, 15s.
£54, 15s. per annum for 5 years
at 5 per cent. = £54·75 at
4·329 years' purchase . = £237 0 0
Add premium . . . = 600 0 0
Present value of £550 in 5
years at 3 per cent. =
£550 × ·86261 . . = 474 8 0
= £1311 8 0
£1311, 8s. spread over 50 years at 5 per cent. =
£1311·4 ÷ 18·25592 . . . . . = 72 0 0
Sitting rent . . = £82 0 0

See Chapter II. § 37; Chapter V. § 105.
£50 loss of rent pending execution of improvements has been provided for. This might not be necessary.

Question 43.—B took a Lease of a Workshop and Land for 40 Years at £100 Rent and paid £400 Premium. He spent £600 on Stable Buildings on Entry, and in the Tenth Year he spent £200 on a Motor House. At what Rent does he Sit?

Solution.—Reserved rent per annum . . = £100 0 0
Premium . . . . = £400 0 0
Improvements . . . = 600 0 0
= £1000 0 0
£1000 spread over 40 years at 5 per cent. =
£1000 ÷ 17·159 . . . . . = 58 0 0
£200 spread over 30 years at 5 per cent. =
£200 ÷ 15·372 . . . . . = 13 0 0
Sitting rent . . = £171 0 0

See Chapter II. § 37; Chapter V. § 105.

RENT AT WHICH PROPERTIES MUST LET TO PRODUCE A GIVEN RETURN ON THE PURCHASE PRICE.

Question 44.—B has Expended £2180 in Purchasing Leasehold Property having 80 Years of the Lease Unexpired at a Ground Rent of £28 per annum. What should be the Rental Value of the Property?

Solution.—£2180 spread over 80 years at 7 per cent., reinvesting at 3 per cent.
= £2180 ÷ 13·67765 years' purchase . = £159 8 0
Add ground rent . . . . . = 28 0 0
Add contingencies, 2½ per cent. on £190 . . = 4 15 0

The property should be of the rental value on full repairing lease, per annum . = **£192 3 0**

Notes on Solution.—The calculations are on the basis of the purchaser receiving 7 per cent. for his money and accumulating the sinking fund at 3 per cent.

See Chapter V. § 105.

PREMIUMS.

Question 45.—What Premium should be Paid for a Lease for 50 Years if the Reserved Rent is £10 per annum, and the Full Rental Value on Lease £60 per annum?

Solution.—Full rental value per annum . . . = £60 0 0
Deduct ground rent . . = 10 0 0

= £50 0 0

£50 per annum for 50 years at 7 per cent., reinvesting at 3 per cent. = £50 at 12·67974 years' purchase.

Premium . . **£633 19 0**

Notes on Solution.—Although the question asks what premium should be paid for a lease, the transaction is really more in the nature of the purchase of a comparatively short lease. Consequently the table calculated on the basis of 7 per cent. on investment and 3 per cent. on reinvestment has been adopted.

It should be noted that the circumstances here are very different from those in a case where the lessee is paying a small proportion only of the value in a capital sum.

See Chapter II. § 10; Chapter V. § 96.

Question 46.—What Premium should be Paid for Renewing 45 Years Lapsed in a Lease Originally Granted for 50 Years at £20 per annum, the full Net Annual Value being £120 per annum.

Solution.—Net annual value per annum . . . = £120 0 0
Deduct reserved rent . . . = 20 0 0
= £100 0 0
£100 per annum for 45 years after 5 years at 5 per cent.
50 years at 5 per cent. = 18·256 y. p.
5 „ „ = 4·330 „
45 after 5 years = 13·926 „
£100 at 13·926 years' purchase.
Premium . . **£1392 12 0**

Notes on Solution.—In this case, in 5 years' time the freeholder will be entitled to the full rack rent. If the lessee wishes to renew, he must be prepared to pay on the basis of some equitable rate of interest. 5 per cent. has been adopted as suitable in the particular circumstances.
See Chapter II. § 10 ; Chapter V. § 96.

Question 47.—What Premium should be Paid for Renewing 40 Years Lapsed in a Lease Originally Granted for 45 Years at £20 per annum. The Lessee Expended £1500 on Buildings. The Ground Rent under the New Lease is to be £25 per annum, which may be Considered the Fair Ground Rent at the Present Time, but otherwise the Conditions will be Identical with those of the Original Lease. 6 per cent. Simple Interest on the Outlay in Buildings may be Taken as Fairly Representing the Actual Net Annual Return.

Solution.—6 per cent. on £1500 per annum . . = £90 0 0
Add present ground rental value = 25 0 0
Rental value . . = £115 0 0
Deduct ground rent to be reserved under new lease . = 25 0 0
Profit rent . . = £90 0 0
£90 per annum for 45 years at 5 per cent. = £90 at 17·774 years' purchase . . . = £1599 13 0

Rental value as above . . = £115 0 0
Deduct ground rent paid under old lease . . . = 20 0 0
Present profit rental . . = £95 0 0
Credit lessee with £95 per annum for 5 years at 5 per cent. = £95 at 4·329 years' purchase . = 411 5 0
Renewal premium . . = £1188 8 0

Notes on Solution.—In this case the lease falls in in 5 years' time. If the lessee wishes to renew he must be prepared to purchase at a rate of interest commensurate with the value which the freeholder will stand out of, and the 5 per cent. table has therefore been adopted.

The addition and subsequent subtraction of the ground rent of £25, in the calculations in connection with the first item, may seem superfluous, but it has been done for the sake of clearness in comparison with the item which follows.

See Chapter II. § 10; Chapter V. § 96.

Question 48.—What Premium should be Paid for Renewing 25 Years Lapsed in a Lease Originally Granted for 40 Years, and Renewed 25 Years ago at a Premium of £500? The Rental Value on full Repairing Lease is £200 per annum. The Present Ground Rent is £10 per annum, but the New Lease is to Reserve a Ground Rent of £30 per annum.

Solution.—

Rental value per annum on lease . .	= £200 0 0		
Deduct ground rent to be reserved	= 30 0 0		
	= £170 0 0		
£170 per annum for 40 years at 5 per cent. = £170 at 17·159 years' purchase . .		= £2917	0 0
Rental value on lease . .	= £200 0 0		
Deduct ground rent now paid	= 10 0 0		
	= £190 0 0		
Credit lessee with £190 per annum for 15 years = £190 at 10·380 years' purchase . .		= 1972	4 0
Renewal premium . .		= **£944**	**16 0**

Notes on Solution.—In this case the annual rental value on full repairing lease is definitely stated to be £200, and the premium of £500 paid 25 years ago does not enter into the calculation.

See Chapter II. § 10; Chapter V. § 96.

Question 49.—A Lessee took a Lease for 99 Years in 1880, and in that Year Laid Out £2000 in Erecting Buildings. Now in 1900 he wants to Lay Out another £1000, Provided the Lease can be Restored to its Original Term. What Premium should he Pay? The Ground Rent is £20 per annum.

Solution.—Outlay of £2000 should be returning, say, per annum, 6 per cent. . = £120 0 0
£120 per annum for 20 years after 79 years at 6 per cent. = £120 at ·115 years' purchase = **£13 16 0**

Notes on Solution.—The proposed additional outlay of £1000 cannot be taken into account in the lessee's favour, because it would be made only in circumstances under which he (the lessee) would derive full benefit from it, the lessor's reversion being too remote to be of market value. The ground rent is already amply secured, and therefore the lessor would not even benefit by the capital value of his ground rent being materially increased. Had the ground rent been but poorly secured, it might perhaps have been argued that the lessor would reap benefit from the outlay affording additional security, and thereby increasing the capital value of his ground rent.

Question 50.—What Premium should be Paid for Renewing a Lease Originally Granted for 30 Years at £25 per annum, with a Premium of £500, which was Renewed 28 Years ago, when 4 Years were Unexpired, at a Premium of £400, if the New Lease Reserves a Rent of £40 per annum? The Property has Increased in Value since the Date of the Original Grant at the Rate of 1 per cent. Simple Interest per annum on the annual Rental at that Time.

Solution.—Original rental . = £25 0 0
Premium £500 spread over 30 years at 5 per cent. = £500 ÷ 15·372 . . = 32 10 0
= £57 10 0
Add 54 per cent. of £57, 10s. = 31 0 0
Present rental value . . = £88 10 0
Deduct ground rent to be reserved. . . . = 40 0 0
Profit rent under new lease = £48 10 0
£48, 10s. per annum for 30 years at 5 per cent. = £48·5 at 15·372 years' purchase . . = £745 10 0
Present rental value . . = £88 10 0
Deduct ground rent . . = 25 0 0
= £63 10 0
Credit lessee with £63, 10s. for 2 years at 5 per cent. = £63·5 at 1·859 years' purchase = 118 0 0
= £627 10 0

Notes on Solution.—When the lease was renewed 28 years ago, the lessee had enjoyed 26 years' lease, therefore it is 28 plus 26, or 54 years, since the original grant, and the property has increased 1 per cent. per annum on its original annual value, or 54 per cent. of its original value.

See Chapter II. § 10; Chapter V. § 96.

Question 51.—A Lessee holding a Shop on Repairing Lease for 40 Years, of which 14 Years are Unexpired, Desires to Renew. What Premium should he Pay, the Present Value being £150 per annum?

Solution.—

40 years at 5 per cent. equals years' purchase					17·159
14	„	„	„	„	9·898
26 years after 14 years		„	„		7·261

The lessee should pay 7·261 years' purchase of any (if any) profit rental which would be enjoyed under the renewed lease.

Notes on Solution.—The question asks what sum should be paid for renewing the lease, but no particulars are given, which shows that any sum should be paid. It entirely depends on what profit rental (if any) is enjoyed under the lease. Consequently all that can be said in answer is that the lessee should pay a certain number of years' purchase of any (if any) profit rental which would be enjoyed under the renewed lease.

See Chapter II. § 10; Chapter V. § 96.

Question 52.—A Lessee who holds Premises at a Rent of £100 per annum on Repairing Lease for 40 Years, of which 14 Years are Unexpired, Desires to Surrender the Existing Lease and to Obtain a Fresh Lease for 40 Years. What Premium should he Pay? The Rental Value of the Premises is £150 per annum.

Solution.—

Rental value .	= £150 0 0	
Reserved rent . . .	= £100 0 0	
Profit rent	= £50 0 0	
£50 per annum for 26 years after 14 years at 5 per cent. = £50 per annum at 7·261 years' purchase.		
Renewal premium . .		= £363 0 0

See Chapter II. § 10; Chapter V. § 96.

REDUCTION IN RENT TO BE ALLOWED FOR CAPITAL OUTLAY OR PREMIUM.

Question 53.—A Tenant is Willing to take on a 21 Years' Lease a House which is in Disrepair, but which if in Good Repair is Worth net £200 per annum. He will have to Spend £500 to Repair. How much should his Rent be Reduced? What Rent should the Lease Reserve?

Solution.—

Rental value per annum . .		= £200 0 0
Repairs	= £500 0 0	
Allow a quarter's rent for loss pending execution of works =	50 0 0	
	= £550 0 0	
£550 spread over 21 years at 5 per cent. = £550 ÷ 12·821 years' purchase = amount by which the rent should be reduced per annum		= 42 17 0
Rent to be reserved per annum . .		= **£157 3 0**

Note.—In the preceding examples, Land Duties under the Finance (1909–1910) Act 1910 have not been considered. In some cases deductions might be necessary for Undeveloped Land Duty and Reversion Duty, whilst in others it might be necessary to consider in detail the proportion of Increment Value which would not be enjoyed by an owner. (For **Land Values and Duties,** see Chapter VIII.)

Although in the preceding examples all but very small fractions of £1 have been shown, in practice values and premiums would be rounded off to the nearest £5 probably.

CHAPTER VIII.

LAND VALUES AND DUTIES.

183. Preliminary. 184. Duties Imposed under the Finance (1909–1910) Act 1910. 185–196. Increment Value Duty. 197–198. Reversion Duty. 199–202. Undeveloped Land Duty. 203–208. Mineral Rights Duty. 209–212. Various Valuations to be Made under the Act. 213–214. The General Valuation. 215–283. Examples. 216. Gross Value. 217–219. Total Value. 220. Full Site Value. 222. Assessable Site Value. 226. Increment. Increment Value Duty. Allowance. Limitation. Occasions for the Payment of Duty. 231. Varying Basis of Valuation on the Occasion for the Payment of Duty Depending on Circumstances. 233. Apportionment. 234. Transfer of Fee Simple. 237. Transfer of Leasehold Interest. 240. Grant of Lease. 242. Fee Simple Passing on Death. 245. Fee Simple Subject to Lease Passing on Death. 247. Leasehold Interest or Lifehold Interest Passing on Death. 248. Periodical Occasions. 249. Apportionment of Duty. 250. Reversion Duty. 256. Determination of Lease. 259. Undeveloped Land Duty. 262. Definition of Undeveloped Land. 267. Land not Subject to Duty. 274. Deductions to be Made from Assessable Site Value when Calculating the Amount on which Duty is Payable. 280. Example. 282. Mineral Rights Duty.

183. **Preliminary.**—The object of this chapter is to deal with the several valuations to be made, and the calculations involved in connection with the duties imposed under the Finance (1909–1910) Act 1910.

The strictly legal aspect is a matter for lawyers, and several works already exist dealing with that side of the subject.

It is not possible, however, for the valuer to deal with his side of the matter without a close acquaintance with the Act, and those who wish to pursue the subject seriously are advised to study the *Law relating to Land Values and Mineral Rights*, by E. M. Konstam.[1]

It is of course impossible to lay down the basis for the several values which have to be arrived at, or to state the

[1] Butterworth (London), 1910.

method of assessing the several duties, without frequent reference to the Act, and portions of the statute will be quoted immediately before or after worked examples to indicate their application.

The reader should not, however, lose sight of the fact that cases are before the Court of Appeal and House of Lords, and impending judgments will afford us reliable direction which we at present lack in regard to the proper legal construction of certain provisions.

184. **Duties Imposed.**—The Act imposes four duties, viz. :—

(a) Increment Value Duty.
(b) Reversion Duty.
(c) Undeveloped Land Duty.
(d) Mineral Rights Duty.

185. Increment value duty is a duty payable on the happening of certain events, such as the sale or leasing, or the passing on death of property, and at regular intervals in the case of property held by a corporation in such a way that it would not be subject to death duties. Reversion duty is a duty payable on the falling in of a lease under certain circumstances. Undeveloped land duty is an annual duty payable on land which is undeveloped within the definition given in the Act; and mineral rights duty is a duty on mineral rights and wayleaves.

The circumstances under which the several duties become payable, the mode in which they are to be assessed, and the parties liable to pay such duties will be more exactly defined.

186. It will, probably, considerably clear the way for an easy understanding of what follows, if it is remembered that the Act requires (*a*) a valuation of the whole of the land in the United Kingdom as on the 30th April 1909, in the process of which several values have to be determined; and (*b*) the valuation of certain properties either periodically or on occasions as the circumstances of the respective cases require.

The several duties are assessed on the basis of these

values, which have to be found according to certain fixed rules which are defined by the Act.

187. It is convenient to discuss the several duties and their incidence before dealing with the valuations which have to be made and the values which have to be found.

188. Increment Value Duty.—Increment value duty is a duty upon the increment value of land, that is, upon the amount by which the assessable site value upon an occasion for the collection of duty (found according to certain rules laid down by the Act) exceeds the original assessable site value. ("Occasion," see § 196.)

The original assessable site value is fixed by a general valuation to be made of all land throughout the kingdom as on the 30th April 1909, in accordance with section 26 of the Act.

189. Where the site value of land at the time of a sale or mortgage of the land or any interest therein within 20 years before the 30th April 1909 (or during the lifetime of the present owner—Revenue Act 1911, section 2) exceeded the original site value, the site value at that time may be substituted for the original site value for the purposes of increment value duty if application is made in accordance with section 2, subsection 3.

190. Amount.—The duty is £1 for every complete £5 of increment value.

191. The duty is levied on an occasion so far as it has not been paid on any previous occasion.

192. Remissions.—For the purpose of the collection of duty the increment value is to be deemed to be reduced on the first occasion by an amount equal to 10 per cent. of the original site value, and on any subsequent occasion by 10 per cent. of the site value on the last preceding occasion, and the amount of duty to be collected is to be reduced accordingly. (Subject to limitation, see § 194.)

193. The duty remitted by these 10 per cent. allowances is "deemed to have been paid."

EXAMPLE 1.

Original site value	= £50
Site value on first occasion . . .	= 60
Increment value	= £10
Increment value duty on £10 . . .	= £2
10 per cent. on £50 = £5.	
Increment value duty on £5 remitted as above	= 1
Increment value duty payable . .	= £1
Increment value duty "deemed to have been paid"	= £2

EXAMPLE 2.

Site value on second occasion . . .	= £75
Original site value	= 50
Increment value	= £25
10 per cent. on site value on the last preceding occasion, *i.e.* 10 per cent. on £60	= 6
	= £19
Increment value duty on £19 . . .	= £3
"Deemed to have been paid" on first occasion	= 2
Increment value duty payable . .	= £1

N.B.—Duty is charged only on each *complete* £5 of increment value.

194. Limitation on Remissions.—The amount of these remissions is limited by the proviso that in any period of five years they must not exceed 25 per cent. of the site value as ascertained on the last occasion, prior to the commencement of that period, or of the original site value if there has been no such occasion. (For worked example see §§ 225–230).

195. Increment value duty is a stamp duty, and sections 4, 5, and 6 make provisions for its collection and recovery.

196. **Occasions.**—The occasions for the collection of increment value duty (if any is found to be payable) are :—

(1) The transfer on sale of the fee simple or any interest in the land, or the grant of a lease for more than fourteen years.

(But if the sale or lease is in pursuance of an agreement entered into before the passing of the Act, i.e. before the 29th April 1910, it is not an occasion.)

(2) The death of a person having an interest in the land where the fee simple or any interest is property liable to estate duty.

(3) Periodically (viz., on the 5th April 1914 and the 5th April in every subsequent fifteenth year) in those cases where land is held by a corporation in such a manner that the land or interest is not liable to death duties and therefore does not come within the second group of occasions. (See Finance Act 1910.)

When the fee simple is transferred or passes on death, the whole duty has to be paid, but when a limited interest is transferred or passes, only a proportion of it is payable. (See § 233.)

197. **Reversion Duty.**—Reversion duty is a duty levied at the rate of £1 for every complete £10 of the value of the benefit which accrues to the lessor by the determination of a lease.

The value of this benefit is to be calculated as follows :—

(1) Ascertain the total value at the date the lease determines.

(2) Deduct :—

(a) The total value at the beginning of the lease on the basis of the consideration given for the lease, whether rent, premium, or covenants

(to erect buildings, etc.). (For construction see §§ 250-258.)

(b) The value of works executed or capital expenditure (if any) by lessor during the lease.

(c) Compensation (if any) payable by lessor on the determination of the lease.

198. **Exemptions.**—This duty is not to be charged in the following cases:—

(1) Where, at the determination of the lease, the land is agricultural land.

(2) Where the lease was for a term not exceeding twenty-one years.

(3) Where the lessor's interest is a leasehold one (i.e. in the case of a sublease), and, at the date of the determination of the sublease, does not exceed twenty-one years.

(4) Where the reversion was purchased before the 30th April 1909, and the lease had, at the date of that purchase, less than forty years to run.

199. **Undeveloped Land Duty.**—Undeveloped land duty is an annual duty of ½d. in the £ on the site value of undeveloped land, and is to be levied for the year ending 31st March 1910 and every subsequent year.

Undeveloped land is defined as land which has not been developed by:—

(1) The erection of dwelling houses.

(2) The erection of buildings for the purpose of any business, trade, or industry, other than agriculture. Glasshouses and greenhouses are to be considered as developing the land on which they stand, and in practice the area deemed to be developed is the area covered by the glasshouse and an equal area of adjoining land.

(3) Being used bona fide for any business, trade, or industry, other than agriculture.

200. **Exemptions and Allowances.**—The following exemptions and allowances are to be noted :—

(1) Land, the site value of which does not exceed £50 per acre, is exempt.

(2) If the land is agricultural land and the site value exceeds £50 per acre, the duty is to be charged only on the amount by which the site value exceeds the value for agricultural purposes.

(3) Agricultural land, held under a tenancy created before 30th April 1909, is exempt until the expiration of the tenancy, or the earliest date after the commencement of the Act at which the landlord could determine the tenancy. (But see also § 218.)

(4) Land occupied and cultivated by the owner, where the whole of the land belonging to that owner does not exceed £500 in value, is exempt.

(5) Land not exceeding one acre occupied together with a dwelling house is exempt.

(6) Gardens or pleasure grounds occupied with a dwelling house, where the site value of the property is not more than twenty times the annual value of the house, gardens, and grounds, as adopted for income tax under Schedule A, are exempt, provided that not more than five acres are to be so exempted.

(7) One acre of land is exempted for every £100 expended on roads and sewers with a view to the development of the land, provided that when twenty years have elapsed since the date of expenditure the land becomes liable for duty if it is still undeveloped.

(The Finance Act 1910, section 16, states ten years, but the Revenue Act 1911 has extended this to twenty years.)

(8) Parks, gardens, and open spaces, which are open to the public as of right, are exempt.

(9) Woodlands, parks, gardens, and open spaces to which the public have reasonable access may be exempted by the Commissioners, as may also land kept free of buildings under certain circumstances (section 17).

(10) Land used for games or other recreations under an agreement under which the owner could not determine within five years of the commencement of the tenancy, is exempt.

201. **Land may Revert to the Undeveloped State.**—Land which has been developed reverts to the condition of undeveloped land on the expiration of one year after the buildings on it become derelict or the land ceases to be used for business, trade, or industry (section 16).

202. **Assessment of Duty.**—The duty is assessed upon the original site value at first, and afterwards on the site value ascertained by periodical valuations which are to be made for this purpose in 1914 and every subsequent fifth year.

203. Mineral Rights Duty.—This duty is 1s. in the £ on the rental value of all rights to work minerals and of all mineral wayleaves (section 20).

Certain minor minerals are exempt (section 20 (5)).

204. Where a mine is actually leased the consideration paid will be the basis of value, but where an owner works his own mine an assessment of annual value will have to be made and agreed, or fought out between the commissioners and the owner.

205. When the mine is leased, the previous year's rent is to be taken as the rental value.

206. Minerals are not liable for :—

(a) Reversion duty, or

(b) Undeveloped land duty, or

(c) Increment value duty in cases in which the mine was being worked on 30th April 1909, unless and until there is an intermission exceeding two years.

207. In other cases where mines are worked increment value duty is payable as an annual charge of 20 per cent. on increase in rental value, but this annual increment value duty goes in discharge of mineral rights duty; where mines are not worked increment value duty is payable on the increase in capital value of minerals as in the case of other lands.

208. No duty is payable on the grant of a mining lease.

209. **Various Valuations to be made under the Act.**— The Act requires :—

(1) A valuation of all land in the United Kingdom : the value to be arrived at is the value on the 30th April 1909 (§§ 186, 213).

(2) Periodical valuations of undeveloped land. The first valuation to be made as on 30th April 1909, and periodical valuation to be made in 1914 and every subsequent fifth year (§ 199).

(3) Valuations for assessment of increment value duty on the occasions on which duty becomes payable (§ 196).

(4) Periodical valuations in the case of property held by corporations (§ 196 (3)).

(5) Valuations for reversion duty on the occasion of leases falling in and reversion duty becoming payable (§ 197).

(6) Special valuations of minerals (§ 203).

210. The valuations have to be made upon certain principles laid down by the Act as hereinafter described.

211. A record of all valuations and assessments to duty has to be kept.

212. The valuation to be made by the commissioners must show :—

(*a*) The total value.

(*b*) The assessable site value.

(*c*) In the case of agricultural land, the value for agricultural purposes where that differs from site value (section 25).

213. **The General Valuation.**—In the process of the general valuation, four values have to be arrived at :—

(1) The **gross value** of the property, which is the value of the fee simple in possession not subject to any lease, but free from all incumbrances, charges, burdens or restrictions (if any), save rates and taxes. (See definition, section 25 (1). See also definitions, section 41 ; § 216).

(2) The **total value,** which, when settled in the general valuation, becomes original total value, is the gross minus the amount by which the value is diminished by reason of any (if any) fixed charges, public rights of way, public rights of user, rights of common, easements and covenants, or agreements restricting the use of the land (section 25 (3). § 217).

(3) The **full site value.** This is the gross value minus the difference between gross and what the fee simple of the land would sell for if divested of any buildings, and any other structures (including fixed or attached machinery), timber, fruit trees, and bushes, etc. (section 25 (2). § 220).

(4) The **assessable site value.** Also spoken of as site value. This is the market value of the fee simple of the site, assumed to be a cleared site, with deductions in respect of certain existing elements of value more particularly defined in the following paragraph, and the cost of clearing the site when necessary (section 25 (4). § 222).

214. (*a*) The assessable site value is defined by section 25 (4) as the *total value* after making certain deductions, but as the other values are defined in their relationship to *gross value*, this value also may be more clearly explained by defining it in similar relationship. It is the gross after deducting : —

(1) The amount by which the value is diminished by reason of restrictions, burdens, and charges,

supposing any such restrictions, burdens, etc., exist (see section 25 (3)).

(2) Any part of the total value attributable to buildings or other structures growing timber, fruit trees, and bushes, etc., etc., on the land (see section 25 (2)).

(3) Any part of the total value attributable to works executed, expenditure of a capital nature or outlay in advertising to improve value as building land, or in business, trade, or industry other than agriculture (section 25 (4)).

(4) Any part of the value attributable directly to appropriation of land or to the gift of land for streets, roads, paths, squares, gardens, or other open spaces for the public (section 25 (4)).

(5) Part of the value attributable to redemption money on land tax, redemption of any fixed charge, redemption of copyhold or customary freehold, or expenditure in effecting the release of any covenant or restriction affecting the user of the land (section 25 (4)).

(6) Cost of divesting the land of buildings, timber trees, or other things of which it is to be taken to be divested, and of which it would be necessary to divest the land for the purpose of realising the full site value (section 25 (4)).

Original site value is absolutely fixed by the provisional valuation, but the site value on the occasion on which increment value duty is assessed may differ, having to be found in different ways, according to which one it happens to be of the distinct occasions on which duty is payable.

It will be noted that the items of deduction mentioned in paragraph 1 above are those allowed in finding total value from gross value, and that the items mentioned in paragraph 2 above are those found by elimination and allowed in finding full site value from gross value. We say "found by

elimination" and "allowed," because in the process laid down by the section we first find the value of the land without buildings, etc., and subtract this from gross to find the difference (if any) in value between gross and what the cleared site would sell for, and it is this difference which represents the part of the value attributable to buildings, etc., on the land. Strictly, according to the Act, *assessable site value* is found through the medium of *total value*, that is to say, gross value is first found, then the deductions under paragraph 1 above are made to find total value, and from total value is deducted (*a*) the same amount as is to be deducted for the purpose of arriving at full site value from gross value, and (*b*) the deductions mentioned in paragraphs 3, 4, 5, 6, to find assessable site value.

(*b*) It is most important, however, to note the provisions of section 2 of the Act with regard to the method of fixing or calculating site value *on an occasion on which increment value duty is to be collected.* The assessable site value on such occasions is not calculated as laid down in the general provisions of the Act, but where the occasion is the transfer or sale of the fee simple (as defined by the Act), the value of the consideration is to be regarded as *total value*, and *assessable site value* is to be found by subjecting this total value to the like deductions as are made under the general provisions of the Act for the purpose of arriving at site value of land from total value.

The famous Lumsden case turned upon the construction of the provisions of this section, and, as we know, when the case reached the House of Lords, the judges were equally divided in opinion, and consequently the judgment of the majority in the Court of Appeal was upheld.

When the occasion is the grant of any lease of the land, or the transfer on sale of any interest in the land less than the fee simple, the value of the fee simple of the land, calculated on the basis of the value of the consideration for the grant of the lease or the transfer of the interest, is to be regarded as total value and to be subject to the like deduc-

tions as are made in finding assessable site value from total value. That is to say, a fee simple value representing total value is to be found on the basis of the consideration given for the lease, or for the transfer of the interest in the fee simple, and that total value, less the "like deductions" before mentioned, will represent assessable site value.

When the occasion on which increment value duty is to be collected is the death of any person, and the fee simple (as defined by the Act) is property passing on that death, the *principal* value of the land as ascertained for the purpose of Part I. of the Finance Act 1894 (viz., the price which in the opinion of the Commissioners such property would fetch if sold in the open market at the time of the death of the deceased) is to be regarded as total value, and this value, less the "like deductions" before mentioned, will represent assessable site value on that occasion.

When the occasion on which increment value duty is to be collected is the death of any person, and any interest, less than the fee simple, is property passing on that death, the fee simple value of the land is to be calculated on the basis of the principal value as defined in the last paragraph, and such value, less the like deductions before mentioned, will represent assessable site value on that occasion.

When the occasion is a periodical occasion (see § 196 (3)), the total value is to be estimated in accordance with the general provisions as to valuation, and such total value, less the like deductions as are made for the purpose of arriving at the site value of land from the total value, will represent assessable site value.

It should be noted that the values depending upon the consideration for the transfer or the grant of the lease are merely statutory values, and not necessarily values of the land in the ordinary acceptation of the word.

Examples indicating the method of calculating assessable site value on various occasions on which increment value duty is to be collected are given in §§ 234 to 248, but the study of those examples should follow a careful perusal of

the examples on the various values found under the general provisions of the Act (see §§ 215 to 224).

Although that involves some partial repetitions, the solution to each example is accompanied by brief notes from the section of the Act under which it comes. The lucidity which this course secures quite justifies the slightly increased volume.

VALUES UNDER THE GENERAL PROVISIONS OF THE ACT.

Gross Value, Total Value, Full Site Value, Assessable Site Value.

EXAMPLES.

215. Calculate (*a*) the gross value, (*b*) the total value, (*c*) the full site value, and (*d*) the assessable site value of a property the particulars of which are as follows :—

The property comprises a nice house with good gardens having a frontage of 250 feet to the main road in a locality where property of the class lets readily to good tenants. The house is held on lease for a term of 46 years unexpired at a ground rent of £13 per annum, and it was sublet 5 years ago on a 21 years' lease at a rent of £189 per annum, the lessee paying a premium of £460.

The terms mentioned were reasonable having regard to the class of the property, and such as could be obtained again readily if the property were unlet. The neighbourhood is improving rather than failing. There is a right of way over part of the garden, which detracts from value, and except for which the house would let on lease, without premium, at a rent of £235 per annum.

The position is such as to fit the house for business purposes, for which it would readily let as it stands at £250 per annum on lease, if the easement were extinguished, but a restrictive covenant prevents the property being so used.

The property is subject to a rent charge of £5, 10s. per annum (septennial average). The land tax was redeemed at a cost of £98, 10s.

If the house were burnt down and the vacant site came into the market, it might be expected, if free from all charges and restrictions, to let readily at a ground rent of 10s. per foot frontage, or to sell at £10 per foot frontage.

The greater part of the property was originally copyhold, but it was enfranchised at a cost of £650.

216. **Solution.**—The first value we have to find is the Gross Value, which is defined in section 25 as "*the amount which the fee simple of the land, if sold at the time in the open market by a willing seller in its then condition, free from encumbrances, and from any burden, charge, or restriction (other than rates and taxes), might be expected to realise.*"

If this property were free from all encumbrances, burdens, and restrictions, the following valuation might represent what we should expect to be the amount which the fee simple would realise. (See previous chapters for general principles of valuation.)

GROSS VALUE.

Rental value at which the property would let on lease for business purposes per annum	= £250 0 0
Allow for contingencies and renewals which would not be covered by the lessee's liability under the covenants, 2½ per cent. per annum	= 6 5 0
	£243 15 0
£243·75 per annum in perpetuity at 5 per cent. = £243·75 at 20 years' purchase . .	= £4875
Deduct for loss of rent pending leasing at £250 per annum: one quarter's rent, say	= 65
Gross value . .	= £4810

According to this calculation, the amount which the fee simple would realise under the conditions laid down by the section is £4810, and this is the statutory value known as the Gross Value.

Total Value.

217. The next value we have to find is the "Total Value." Total Value is defined by section 25 as "*the gross value after deducting the amount by which the gross value would be diminished if the land were sold subject to any fixed charges and to any public rights of way or any public rights of user, and to any right of common and to any easement affecting the land, and to any covenant or agreement restricting the use of the land entered into or made before the thirtieth day of April* 1909, *and to any covenant or agreement restricting the use of the land entered into or made on or after that date, if, in the opinion of the Commissioners, the restraint imposed by the covenant or agreement so entered into or made on or after that date was when imposed desirable in the interests of the public or in view of the character and surroundings of the neighbourhood.*"

218. The items mentioned in the section which may form the subject of deduction in estimating total value from gross value, put briefly, are :—

(*a*) Fixed charges.
(*b*) Public rights of way.
(*c*) Public rights of user.
(*d*) Any rights of common.
(*e*) Easements.
(*f*) Restrictive covenants and agreements entered into before 30th April 1909.
(*g*) Similar covenants entered into on or after that date, if, in the opinion of the Commissioners, the covenant so entered into was at the time desirable in the interests of the public, or in view of the character of the surroundings of the neighbourhood.

219. The only items taken from this list which can be the

subject of deduction in the case before us are—the rent charge, the easement affecting the land, and the covenants restricting the use of the land. Our calculation will be as follows :—

Gross value as already found		= £4810
Annual value if freed from the easement as per statement in question	= £235	
The rent paid by the under lessee per annum .	= £189	
Premium of £460 for a 21 years' lease. £460 spread over 21 years = 460 ÷ 12·821 years' purchase per annum, say .	= 36	
Annual rental value while the property is subject to easement and restrictive covenant . . .	= 225	
Depreciation in value attributable to easement, per annum . .	= £10	
£10 per annum in perpetuity at 5 per cent. = £10 at 20 years' purchase	= £200	
Rent charge £5, 10s. per annum in perpetuity at 5 per cent. = £5·5 at 20 years' purchase . .	= 110	
Restriction which has the effect of depreciating the annual value from £250 to £235, viz. £15 per annum. £15 per annum in perpetuity at 5 per cent. = £15 at 20 years' purchase . .	= 300	
		= £610
Total value . .		= **£4200**

Full Site Value.

220. The next value we have to find is the Full Site Value, and this is defined by section 25 as follows :—"*The full site value of land means the amount which remains after deducting from the gross value of the land the difference (if any) between*

that value and the value which the fee simple of the land, if sold at the time in the open market by a willing seller, might be expected to realise if the land were divested of any buildings and of any other structures (including fixed or attached machinery) on, in, or under the surface, which are appurtenant to or used in connection with any such buildings, and of all growing timber, fruit trees, fruit bushes, and other things growing thereon."

221. There is really only one item mentioned in subsection 2 of section 25 which may form the subject of deduction when finding full site value from gross value, and that is the difference between gross value and what the fee simple might be expected to realise if the land were divested of any buildings and of any other structures, or fixed machinery, growing timber, fruit trees, fruit bushes, and other things growing thereon. We ought to note specially—

(*a*) It is the difference in value of the fee simple which would result from the absence of the buildings, trees, etc., and not the value of the buildings, trees, etc., which we have to look to; and

(*b*) We must start with the gross value and make only the deduction attributable to the absence of the buildings, trees, etc.

Our calculation will therefore be as follows:—

Gross value as already found .	= £4810	
The price at which the site would sell if the buildings were destroyed as given in the question, viz. 250 feet frontage at £10 per foot . .	= 2500	
Difference .	= £2310	
Gross value as already found . . .		= £4810
Deduct difference between gross and the fee simple value of the land, if divested of buildings, etc.		= 2310
Full site value . .		= **£2500**

Assessable Site Value.

222. The last value to be calculated is the Assessable Site Value, which is defined by subsection 4 of section 25

as follows :—"*The assessable site value of land means the total value after deducting* :—

"(*a*) *The same amount as is to be deducted for the purpose of arriving at the full site value from gross value.*"

To save the confusion of reference back it may be noted that this is the amount which represents the difference (if any) between gross value and the value which the fee simple of the land, if sold at the time in the open market by a willing seller, might be expected to realise, if the land were divested of any buildings or of any other structures (including fixed or attached machinery) on, in, or under the surface, which are appurtenant to or used in connection with any such buildings, and all growing timber, fruit trees, fruit bushes, and other things growing thereon.

"(*b*) *Any part of the total value which is proved to the Commissioners to be directly attributable to works executed, or expenditure of a capital nature (including any expenses of advertisement) incurred bona fide by or on behalf of or solely in the interests of any person interested in the land for the purpose of improving the value of the land as building land, or for the purpose of any business, trade, or industry other than agriculture.*

"(*c*) *Any part of the total value which is proved to the Commissioners to be directly attributable to the appropriation of any land or to the gift of any land by any person interested in the land for the purpose of streets, roads, paths, squares, gardens, or other open spaces for the use of the public.*

"(*d*) *Any part of the total value which is proved to the Commissioners to be directly attributable to the expenditure of money on the redemption of any land tax, or any fixed charge, or on the enfranchisement of copyhold land or customary freehold or on effecting the release of any covenant or agreement restricting the use of land which may be taken into account*

in ascertaining the total value of the land, or to goodwill or any other matter which is personal to the owner, occupier, or other person interested for the time being in the land.

"(*e*) *Any sums which, in the opinion of the Commissioners, it would be necessary to expend in order to divest the land of buildings, timber, trees, or other things of which it is to be taken to be divested for the purpose of arriving at the full site value from the gross value of the land, and of which it would be necessary to divest the land for the purpose of realising the full site value.*

223. "*Where any works executed or expenditure incurred for the purpose of improving the value of the land for agriculture have actually improved the value of the land as building land, or for the purpose of any business, trade, or industry other than agriculture, the works or expenditure shall, for the purpose of this provision, be treated as having been executed or incurred also for the latter purposes.*"

224. In calculating the assessable site value we are, in accordance with the section, to commence with the total value.

This has already been found to be .		= £4200
From this we are to deduct :—Firstly, the same deduction as we made in arriving at full site value from gross value, namely, ...		= 2310
		= £1890
Secondly, any deduction which comes within the long list of possible deductions given in the section. Those applicable to the property in question are :—		
(*a*) Redemption of land tax . .	= £98	
(*b*) Cost of enfranchising copyhold	= 650	
		= 748
Assessable site value . .		= £1142

Further examples might be given, but if the steps in the foregoing workings are carefully traced, there can be no difficulty in applying the principles to any other case, the only possible difference being in the items of deduction applicable to the circumstances.

THE DUTIES: WORKED EXAMPLES.

Case I.—Increment Value Duty payable on Transfer on Sale of Freehold.

(Several occasions involved. Application of section 3 (5).)

225. (*a*) The original site value of a certain property is £1000. Four occasions on which duty is payable occur. The assessable site value on the first occasion is £1200, on the second occasion £1240, on the third occasion £1340, on the fourth occasion £1400. What will be the duty payable on the fourth occasion if it occurs within five years from April 1909; and what if it occurs in the sixth year after that date?

226. **Solution.**—Our first point is to understand what increment value is. Turning to § 188 of this chapter, we see that it is the difference between the original site value and the assessable site value on the occasion on which duty becomes payable. The manner of calculating the original assessable site value has already been fully explained, and the way in which assessable site value on an occasion is calculated, although indicated in § 214, is more fully dealt with in § 222. For the present example the assessable site values on the occasions referred to are given.

Our next step is clearly to understand the remissions to which the grantor is entitled. Turning to § 192 of this chapter, we see that the increment value on an occasion on which duty is payable is to be deemed reduced by 10 per cent. of the assessable site value on the last occasion, or the original site value if no such occasion has arisen. The grantor

is entitled to remission of duty on this 10 per cent. reduction, or to remission of any duty payable which is less than such 10 per cent. remission. Remitted duty is deemed paid.

Our third step is to recognise the limitation which the Act places on this reduction of 10 per cent. of assessable site value, and turning to § 194 of this chapter, we see that the limitation is 25 per cent. of the site value on the last occasion for the collection of increment value duty prior to the commencement of a period of five years, calculated back from the date on which duty is payable. Therefore on each occasion on which duty becomes payable, we have, when calculating the amount of the reduction in increment value at 10 per cent., to note whether the total amount of increment value on which duty has from time to time been remitted exceeds 25 per cent. of the assessable site value on the last occasion for the collection of increment value duty prior to the commencement of a period of five years reckoned backwards. If it does exceed 25 per cent. calculated on such prior assessable site value, then duty on a sum which brings the total reductions up to 25 per cent. only can be remitted, and duty will have to be paid on the balance.

If the aggregate of the reductions is not in excess of the 25 per cent. so calculated, the duty on the full amount is remitted.

The calculations involved can be shown most clearly by the table on p. 184.

227. Tracing the entries in each of the columns in the table, we see that the original site value being £1000, and the assessable site value on the first occasion being £1200, there is a difference of £200 which represents gross increment. No occasion for the payment of duty having arisen previously, this £200 is also the actual increment subject to duty. The reduction of 10 per cent. on the original site value of £1000 is £100, and this is the amount of increment value on which duty is remitted. This being the first occasion on which increment value duty has been paid there has been no previous reduction, and £100 there-

1	2	3	4	5	9	7	8	6	10	11
Occasions.	Values.	Gross Increment.	Actual Increment on which Duty payable.	Maximum Reduction on Increment Value 10 per cent. on previous Site Value.	Amount of Increment Value on which Duty remitted.	Total Amount of Reduction on Increment Value allowed.	Amount on which Duty payable.	Amount of Duty remitted and deemed paid.	Amount actually paid.	Total paid and deemed paid.
		£	£	£	£	£	£	£	£	£
First occasion .	P.A.S.V. £1200 O.A.S.V. £1000	200	200	100	100	100	100	20	20	40
Second occasion	P.A.S.V. £1240 O.A.S.V. £1000	240	40	120	40	140	nil.	8	nil.	48
Third occasion .	P.A.S.V. £1340 O.A.S.V. £1000	340	100	124	100	240	nil.	20	nil.	68
Fourth occasion	P.A.S.V. £1400 O.A.S.V. £1000	400	60	134	60	300	nil.	12	nil.	80

Note.—The Table shows that no duty is payable on the fourth occasion, but this is true only if the occasion occurs more than 5 years after the first occasion, so that the site value of £1200 is the amount on which the 25 per cent. limitation is calculated. If the last occasion occurred within 5 years from 30th April 1909, the 25 per cent. limitation would be calculated on the O.A.S.V. £1000, and this being £250, and the £240 having been previously allowed, £10 only of the £60 could be allowed, and consequently there would be £50 on which duty would be payable, and the duty would be £10. (See §§ 192 to 194.)

fore equals also the total amount of reduction in increment value allowed. The amount on which duty is actually payable is therefore £100. The amount of duty remitted is £1 for each complete £5 in £100, or £20, and the amount of duty actually paid is likewise £1 for each complete £5 of £100, or £20, and the amount remitted and deemed paid plus the amount actually paid is therefore £40.

228. Following the line dealing with the second occasion, we find the assessable site value on that occasion is £1240, the original site value is £1000, and the difference, £240, represents gross increment. But the increment on the last occasion was £200, so that the net increment, or the increment since the last occasion, is only £40. The reduction of 10 per cent. on £1200, the assessable site value on the previous occasion, is £120, and as this is more than the increment on which duty is payable, £40, the latter is the amount of increment value on which duty is remitted. The reduction in increment value allowed on the last occasion was £100, and, £40 being allowed now, the total allowance is £140. As the possible 10 per cent. allowance is £120, and exceeds the increment of £40, the whole £40 is allowed, and there is no amount left on which duty can be demanded. "Nil" is therefore entered in the appropriate column. Duty is remitted and deemed paid on the increment which has been allowed under the 10 per cent. reduction, and this is £1 for each complete one-fifth of £40, or £8. No duty payable is due on the present occasion, and "Nil" is entered under "Amount actually paid." The amount paid and deemed paid on the last occasion was £40, and as another £8 is deemed paid on the present occasion, £48 is the amount paid and deemed paid to date.

The entries for the remaining occasions can be traced in the same easy manner.

229. It has already been pointed out in the footnote of the table that the total amount of reduction on the fourth occasion is just £300, and this is 25 per cent. of £1200, or the maximum allowance which can be made only if the

fourth occasion arises more than five years after the first occasion. If this is not so, the 25 per cent. limitation must be calculated on the site value on the last occasion for the collection of increment value duty prior to the commencement of that period of five years, or on the original site value if there has been no such occasion. In such circumstances it would be the original site value upon which the 25 per cent. limitation would be based. That would give £250, and as £240 has been allowed on previous occasions within five years, the whole £60 increment cannot be allowed, but only that proportion of it which brings the amount up to £250, viz. £10. This leaves £50 increment upon which duty must be paid; and £1 for each complete £5 of £50 is £10, the amount of duty which would be payable.

230. Although the points involved have been outlined in §§ 192 and 194, it may be useful to quote here subsection 5 of section 2 of the Finance Act, which deals with the branch of the subject now under consideration in detail.

"*For the purpose of the collection of duty on the increment value of any land under this section, the increment value shall be deemed to be reduced on the first occasion for the collection of increment value duty by an amount equal to* 10 *per cent. of the original site value of the land, and on any subsequent occasion by an amount equal to* 10 *per cent. of the site value on the last preceding occasion for the collection of increment value duty, and the amount of duty to be collected shall be remitted in whole or in part accordingly.*

"*Any duty which, by reason of this provision, is remitted on any occasion shall not be collected and shall be deemed to have been paid:*

"*Provided that no remission shall be given under this provision on any occasion which will make the amount of increment value on which duty has been remitted during the preceding period of five years exceed* 25 *per cent. of the site value of the land on the last occasion for the collection of increment value duty prior to the commencement of that period,*

or of the original site value if there has then been no such occasion."

231. **Varying Basis of Valuation.**—Some further examples of the calculation of increment value duty will serve to impress the provisions of section 2 of the Finance Act 1910 with regard to the methods to be adopted in calculating the site value on the occasion on which duty is payable. As a preliminary it will be well to read subsections 1 and 2 of section 2 of the Act, which are as follows :—

"(1) *For the purposes of this part of this Act the increment value of any land shall be deemed to be the amount (if any) by which the site value of the land, on the occasion on which increment value duty is to be collected as ascertained in accordance with this section, exceeds the original site value of the land as ascertained in accordance with the general provisions of this part of this Act as to valuation.*

"(2) *The site value of the land on the occasion on which increment value duty is to be collected shall be taken to be—*

"(*a*) *Where the occasion is a transfer on sale of the fee simple of land, the value of the consideration for the transfer; and*

"(*b*) *Where the occasion is the grant of any lease of the land, or the transfer on sale of any interest in the land, the value of the fee simple of the land, calculated on the basis of the value of the consideration for the grant of the lease or the transfer of the interest; and*

"(*c*) *Where the occasion is the death of any person, and the fee simple of the land is property passing on that death, the principal value of the land as ascertained for the purposes of Part I. of the Finance Act* 1894, *and where any interest in the land is property passing on that death, the value of the fee simple of the land calculated on the basis of the principal value of the interest as so ascertained; and*

"(*d*) *Where the occasion is a periodical occasion on which duty is to be collected in respect of the fee simple of any land or of any interest in any land held by a body corporate or unincorporate, the total value of the land on that occasion to be estimated in accordance with the general provisions of this part of this Act as to valuation;*

subject in each case to the like deductions as are made, under the general provisions of this part of this Act as to valuation, for the purpose of arriving at the site value of land from the total value."

232. From the above quotation it will be seen that the site value has to be found in different ways, according to the occasion giving rise to the payment of duty. The procedure may be stated shortly thus :—

(*a*) When the occasion arises because of a transfer of the fee simple or any interest in the fee simple, or the grant of any lease, the site value is to be based on the consideration paid for the transfer.

(*b*) When the occasion is the death of any person, and the fee simple or any less interest passes on that death, the site value is to be based on the principal value of the land as ascertained for the purposes of Part I. of the Finance Act 1894.

Subsection 5 of section 7 of the Finance Act 1894 provides as follows :—"The principal value of any property shall be estimated to be the price which, in the opinion of the Commissioners, such property would fetch if sold in the open market at the time of the death of the deceased."

(*c*) When the occasion is a periodical occasion, there being no consideration on which to base the value, the total value is to be estimated in the manner adopted for the provisional valuation already dealt with (see § 215 ff.)

The practical application of all this is that in cases in which a consideration is paid, that consideration is to be accepted as the basis for fixing or calculating the value of the fee simple in possession, and where there is no such consideration, the fair market value of the fee simple in possession, not subject to lease, must be calculated. If the fee simple in possession, not subject to lease, is transferred, then the consideration for the transfer is to be accepted as its value; if any less interest passes, the value of the fee simple is to be arrived at on the basis of the consideration given for that lesser interest. (But see § 214 (*b*).)

233. **Apportionment.**—The values to be arrived at in the process of ascertaining the assessable site value on an occasion for the payment of duty, on any increment shown, must not be confused with the proportion of the whole duty (which is calculated on the basis of the fee simple value) which has to be paid when the grant of a lease, or the passing of a limited interest, is the occasion for the payment of duty. For the purpose of apportioning the duty payable in such circumstances the more readily, the Commissioners have prepared two tables, one showing the ratio to 1 for varying terms from 1 to 99 years on the 4 per cent. table, periods over 99 years being treated as perpetuity, and the other showing a similar ratio to 1 for life interests held by persons of various ages calculated on the Northampton table of mortality, and at 4 per cent. interest.

The tables may easily be formed by simply either dividing the years' purchase for the given term at 4 per cent. by the years' purchase for perpetuity at 4 per cent., or by dividing the years' purchase for the given age at 4 per cent. by the years' purchase for perpetuity at 4 per cent., as the case may require. (See § 249 for examples of apportionment of duty.)

Some examples of the calculation of increment value and increment value duty on an occasion for the payment of duty will now be given.

Case II.—Increment Value Duty payable on a Transfer on Sale of the Fee Simple.

Calculation of (*a*) the assessable site value on an occasion on which increment value duty is to be collected, (*b*) the increment value, and (*c*) the increment value duty.

234. **Example.**—The original assessable site value of certain property is £105. The fee simple of the property in possession not subject to any lease is sold for £750. The property is subject to tithe rent charge, the capital value of which is £33. The owner expended £90 on the property, to which the present value is partly attributable. The gross and the full site values calculated according to the general provisions of the Act at the time of sale are respectively £658 and £228. What increment value duty, if any, is payable?

235. **Solution.**—The Act provides, by section 2, subsection 2 (*a*), that when the occasion for the collection of duty is a transfer on sale of the fee simple of the land, the value of the consideration for the transfer, subject to the like deductions as are made under the general provisions of the Act as to valuations for the *purpose of arriving at the site value of land from total value*, shall be taken to be the site value. Section 25 defines assessable site value as the *total value* after deducting the same amount as is to be deducted for the purpose of arriving at full site value from gross value, and any of the other deductions applicable set out in paragraphs (*b*), (*c*), (*d*), (*e*) of subsection 4 of that section (§ 214). The wording of section 2 is most confusing. The consideration for the transfer on sale, subject to deductions which are those made under the general provisions of the Act in finding assessable site value from total value, is to represent site value. The value of the consideration is really treated as total value, and when the deductions have been made the result is assessable site value.

According to the ruling in the Lumsden case, the calculation will be as follows :—

The consideration on transfer equal to total value		= £750
Gross value at time of sale found according to the general provisions of the Act (not based on the consideration) . . .	= £658	
Full site value at time of sale found according to the general provisions of the Act (not based on the consideration) . .	= 228	
Difference between gross and full site value .	= £430	
Allowance under section 25 [4 (*b*)] for capital expenditure by owner	= 90	
		= 520
Assessable site value on the occasion of the sale of the fee simple		= £230

As, however, on the case coming before the House of Lords, the four judges were equally divided as to the construction of the Act, and the case therefore rests only on the ruling of the majority in the Court below, it may be as well to indicate what the calculations would be if based on the opinion of the minority.

The consideration on transfer of the fee simple equal to total value . . .		= £750
Value of the consideration on transfer of the fee simple	= £750	
Capital value of tithe to which the property is subject	= 33	
What purchaser might have been expected to give for the property tithe free equal to gross value	= £783	
Full site value at time of sale. This value is found as a fact on the basis of the prices at which similar land sells . . .	= 228	
Difference . .	= £555	
Allowance under section 25 [4 (*b*)] for capital expenditure by owner	= 90	
		= 645
Assessable site value . .		= £105

236. **Calculation of Increment Value and Increment Value Duty.**—Adopting the first solution, which is that supported by the judgment of the majority in the Court of Appeal and upheld as the result of the judgments in the House of Lords being equally divided, the increment and increment value duty are found to be as follows:—

Assessable site value on the occasion of the transfer on sale of the fee simple	= £230
Original assessable site value	= 105
Gross increment . .	= £125
Deduct 10 per cent. on original assessable site value .	= 10
Duty payable on . .	= **£115**
The duty is £1 for each complete £5 of £115. Duty	= £23

Adopting the second solution, which, however, as the law now stands cannot be accepted, there would be no duty to pay, since the original assessable site value and the assessable site value on the occasion are identical.

Notes on the Example and Solution.—It will be observed that whilst the property sold for £750 subject to tithe, capital value £33, the gross value is stated to be only £658. The inference is that the property was sold for a good deal more than it was worth.

The calculation for increment value and increment value duty assume that there have been no other dealings with the property involving the payment of duty since the original valuation. (See § 226 for example of a case in which several occasions are involved.)

Case III.—INCREMENT VALUE DUTY PAYABLE ON A TRANSFER ON SALE OF AN INTEREST IN LAND LESS THAN THE FEE SIMPLE INTEREST.

Calculation of (*a*) assessable site value on an occasion for the payment of duty, (*b*) increment value, (*c*) increment value duty.

237. **Example.**—A holds certain property, on lease, originally for 99 years, now 30 years unexpired, at a ground rent of £20 per annum, which is worth, and which is in fact subleased, at £120 per annum. He sells his interest to B for £1577. It is estimated that the buildings will be worn out within 10 years of the lease falling in, up to which time the present rentals will be maintained. The freeholder redeemed land tax at a cost of £68. The land has a frontage of 50 feet, and is worth a rental value of 10s., or a capital value of £10 per foot frontage. The original assessable site value is £400. What is the assessable site value on the occasion, the increment value, and the increment value duty, if any?

238. **Solution.**—The Act provides by section 2, subsection 2 (*b*), that when the occasion is the transfer on sale of any interest in the land (that is, any interest less than the fee simple interest which is provided for by section 2, subsection 2 (*a*)), the *value of the fee simple of the land, calculated on the basis of the value of the consideration for the transfer of the interest*, subject to the like deductions as are made under the general provisions of the Act as to valuations *for the purpose of arriving at the site value of land from total value*, shall be taken to be the site value.

In this case we have to find what the fee simple "value" is on the basis of the consideration for a transfer on sale of some interest less than the fee simple interest.

Until cases have been contested, and the decisions of the Courts have been obtained, we must necessarily feel some doubt as to the course which should be pursued in making the calculations under the section, but as an example the following illustrates the probably correct interpretation.

Consideration for the transfer on sale of the interest in land, viz. the lease subject to a ground rent of £20 per annum, the land being worth £25 per annum . . .		= £1577
Add value of £20 per annum for 30 years at 5 per cent. £20 at 15·372 years' purchase		= 307
Rental value of the premises on lease as they stand, per annum . . .	= £120	
Deduct for contingencies 5 per cent. . .	= 6	
Estimated net annual income . .	= £114	
£114 per annum for 10 years after 30 years at 6 per cent.		
£114 at 1·28 years' purchase = £145·92, say .		= 146
40 years at 6 per cent. . .	= 15·04630 y. p.	
30 „ „ „ . .	= 13·76483 „	
10 years after 30 years at 6 per cent.	= 1·28147 „	
Annual value of land 50 feet at 10s. = £25. £25 per annum in perpetuity after 40 years at 5 per cent.		
= £25 at 2·84 years' purchase		= 71
Perpetuity 5 per cent. . . .	= 20· y. p.	
40 years 5 per cent. . . .	= 17·159 „	
Perpetuity after 40 years . . .	= 2·841 „	
Estimated total value . .		= £2101

Rental value on lease per annum	= £120	
Contingencies 5 per cent. .	= 6	
	= £114	
£114 for 40 years at 6 per cent. £114 at 15·046 years' purchase . . .	= £1715	
£25 per annum in perpetuity after 40 years at 5 per cent. £25 at 2·841 years' purchase.	= 71	
Gross . .	= £1786	
Value of uncovered site 50 feet frontage at £10 per foot frontage . . .	= 500	
Difference between gross and the value of the fee simple divested of buildings, etc. (section 25 [2])	= £1286	
Expenditure on redemption of land tax .	= 68	
		= £1354
Assessable site value on the occasion of the transfer on sale of the interest in land . .		= £747

239. **To find Increment Value and Increment Value Duty.—**

Assessable site value on the occasion	= £747
Original assessable site value	= 400
Gross increment . .	= £347
Deduct 10 per cent. on original assessable site value .	= 40
	= £307
Duty £1 in each complete £5 of £307 . .	= £61

But this sum of £61 is the duty in respect of the fee simple interest, and inasmuch as the interest is only that of a term of 30 years, a proportionate part only of such duty is payable. That proportionate part is represented by £61 × ·691 = £42, 3s. (But see **Apportionment of Duty**, § 249.)

Notes on the Example and Solution.—The sum of £1577 paid for the lease is obviously very heavy, and the calculations based upon it necessarily produce results which do not represent either value or increment in the ordinary acceptation of the words. These terms must be regarded as having the statutory meanings assigned to them, and we must recognise that increment value duty may be payable when no increment, as ordinarily understood, has occurred, and that that duty may be based upon calculations dependent upon fictitious prices which have been paid for a property, rather than upon actual values. We must note, too, that whilst one part of the calculation is dependent upon actual values as far as they can be ascertained, the other part is based upon the consideration paid, which may or may not represent the real value of the interest transferred.

It is quite possible that an Amending Act will be introduced to remedy some of the difficulties of the present statute.

Case IV.—Increment Value Duty payable on the Grant of a Lease.

Calculation of (*a*) assessable site value on an occasion for the payment of duty, (*b*) increment value, and (*c*) increment value duty.

240. **Example.**—A, who is the freeholder of certain property, grants to B a 30 years' lease at £160 per annum in consideration of a premium of £500. The property is worth on lease without premium £205 per annum. The land would sell at the present time as a cleared site at £900. The original site value is £800. The owner made a capital expenditure of £45 on making up the road on to which the property fronts.

Calculate the assessable site value on the occasion of the

grant of the lease, and the increment value and the increment value duty payable, if any.

241. **Solution.**—Section 2 [2 (*b*)] provides that when the occasion is the grant of any lease of the land, the value of the fee simple of the land, calculated on the basis of the value of the consideration for the grant of the lease, less the like deductions as are made under the general provisions of the Act as to valuation for the purpose of arriving at the site value of the land from total value, shall be taken to be the site value. These like deductions are [section 25 (*a*)]: (1) the same amount as is to be deducted for the purpose of arriving at full site value from gross value, viz. the difference between gross value and the value of the fee simple of the land divested of buildings or other structures (including fixed or attached machinery), and all growing timber, fruit trees, fruit bushes, and other things growing thereon, and (2) the other deduction set out in paragraphs (*b*), (*c*), (*d*), and (*e*) of subsection 4 of section 25.

The application of these provisions to the present example shows the following result :—

The consideration for the lease per annum . .		= £160
Premium £500 spread over 30 years at, say, 5 per cent. £500 ÷ 15·37 (years' purchase) . .		= 32·53
Annual equivalent . .		= £192·53
£192·53 p. a. in perpetuity at 5 per cent. = £192·53 at 20 y. p. = £3850·6, say .		= £3850
Rental value of the property on lease p. a.	= £205	
Allow 2½ per cent. for contingencies, say .	= 5	
Estimated net income per annum .	= £200	
£200 per annum in perpetuity at 5 per cent. = £200 at 20 years' purchase .	= £4000	
Value of the cleared site	= 900	
Difference between gross value and full site value . . .		= 3100
		= £750
Deductions under section 25 [4(*b*)]. Expenditure of a capital nature on roads, improving the land as building land . .		= 45
Assessable site value on the occasion		= £705

Increment and Increment Value Duty.—The original site value stands at £800, and the calculation therefore shows no increment, and there is not any duty payable.

Notes on Example and Solution.—The calculations in this case show that the lessee has secured a lease of a property worth £205 per annum on lease, for a rent and premium equivalent to £192, 10s. per annum, and also that there has been an actual increment in the value of the land if we accept the original assessable site value as accurate, for the particulars state the land would sell as a cleared site for £900, which, minus the capital expenditure on roads—£45—gives £855 as against the original site value, £800. But the whole calculation shows no increment. This is because the value of the fee simple has been based on the annual equivalent of the consideration given for the lease. In the last example the transferor had to pay duty where there had been no increment as ordinarily understood; in this case he escapes duty where there has been an increase in value.

Case V.—Increment Value Duty payable on the Fee Simple of Land Passing on Death.

Calculation of (*a*) assessable site value on an occasion for the payment of duty, (*b*) increment value, and (*c*) increment value duty.

242. **Example.**—On the death of A the freehold interest in a certain property passes to B, who then becomes sole owner. The estate consists in fairly good residential premises let on yearly tenancies at rents aggregating to £350 per annum. The property is all let, and, although not old, and sound structurally, is in a poor state of general repair, and it is estimated that the cost of putting it in good condition would be £265. It is a property which may fairly be regarded as a 6 per cent. investment. The land apart from buildings is now worth £1000, which shows an increase since the original assessable site value of £850 was ascertained.

243. **Solution.**—Section 2 [2 (*c*)] of the Finance (1909–

1910) Act 1910 provides that when the fee simple passes on death, the principal value of the land as ascertained for the purpose of Part I. of the Finance Act 1894, less the like deductions as are made under the general provisions of this Act (the Finance Act 1910) as to valuations for the purpose of arriving at the site value of land from total value, shall be taken to be the site value on that occasion for the collection of duty. The "like deductions" are those set out in paragraphs (*a*), (*b*), (*c*), (*d*), (*e*) of subsection 4 of section 25, as explained in previous examples. "Principal value" means the price which, in the opinion of the Commissioners, such property would fetch if sold in the open market at the time of the death of the deceased.

The application of the foregoing provisions to the present example shows the following result :—

Annual value of the property on yearly tenancies per annum . . .		= £350 0 0
Deductions for repairs, insurance, and contingencies, 20 per cent.		= 70 0 0
Estimated net annual income . .		= £280 0 0
£280 per annum in perpetuity at 6 per cent. = £280 at 16·66 years' purchase		= £4664 16 0
Capital deduction for repairs now necessary, estimated cost £265, say		= 264 16 0
Estimated principal value of the fee simple		= £4400 0 0
Gross value in this case same as principal value . . .	= £4400	
Value of land apart from buildings	= 1000	
Difference between gross value and full site value . . .		= 3400 0 0
Assessable site value on the occasion		= £1000 0 0

244. **To find Increment and Increment Value Duty.**—

Assessable site value on the occasion for the payment of duty as found	= £1000
Original assessable site value	= 850
Gross increment . . .	= £150
Allowance under subsection 5, section 3, 10 per cent. on the original site value (§ 192). . . .	= 85
Amount on which duty is payable . .	= £65
Duty £1 for each complete £5. Duty . . .	= £13

Case VI.—INCREMENT VALUE DUTY PAYABLE ON THE PASSING ON DEATH OF AN INTEREST LESS THAN THE FEE SIMPLE. FREEHOLD SUBJECT TO A LEASE.

Calculation of (*a*) assessable site value on an occasion on which increment value duty is to be collected, (*b*) increment value, and (*c*) increment value duty.

245. **Example.**—On A's death his freehold interest subject to a lease passes to B. The property consists of five small houses let on yearly tenancies at £35 per annum each, and is held by C on a 30 years' lease (13 years unexpired) at a ground rent of £5 per annum each house. The land has a frontage of 100 feet, and its present rental value as a cleared site is estimated to be 7s. 6d. per foot frontage per annum. It was originally copyhold, and its redemption cost the owner £150. The original assessable site value stands at £550. The houses are well built. The cost of putting the buildings in repair may be put at £25 per house. The property may be considered a 7 per cent. investment. Calculate the assessable site value on the occasion, and the increment and increment value duty, if any.

246. **Solution.**—Section 2 [2 (*c*)] provides that the fee simple value of the land passing on death, calculated on

the basis of the principal value of the interest passing as ascertained for the purposes of Part I. of the Finance Act 1894, minus the like deductions as are made under the general provisions of the Act as to valuation for the purpose of arriving at site value of the land from the total value, shall be taken to be the site value on that occasion for the collection of duty. The deductions are those set out in section 25, subsection 4 (*a*), (*b*), (*c*), (*d*), (*e*) (see previous examples). Principal value, it will be remembered, means the price which, in the opinion of the Commissioners, such property would fetch if sold in the open market at the time of the death of the deceased.

The value of the fee simple in possession not subject to a lease is what is required.

The calculations are as follows :—

Rental arising on yearly tenancies—five cottages at £35 per annum each .	= £175	
Deduct for all outgoings 20 per cent. .	= 35	
Estimated net annual income .	= £140	
£140 per annum in perpetuity at 6 per cent. = £140 at 16·66 years' purchase = £2332, 4s., say		= £2332
Capital outlay necessary in repairs, five houses at £25 per house		= 125
Estimated value of the fee simple . . .		= £2207
Gross value in this case same as the fee simple value calculated . . .	= £2207	
Full site value—land 100 feet frontage at 7s. 6d. = £37, 10s. per annum at 20 years' purchase	= 750	
Difference between gross and full site value		= 1457
		= £750
Deduct cost of enfranchisement of copyhold . .		= 150
Assessable site value		= £600
Original assessable site value		= 550
Gross increment		= £50
10 per cent. allowance under section 3 . .		= £55

As the 10 per cent. allowance on the original assessable site value under section 3 is £55, or £5 more than the gross increment, no duty is payable.

Notes on the Example and Solution.—The only connection between the value of the interest passing on death and the value of the fee simple in possession, not subject to lease, of the same property, seems to rest upon the fact that the two values are of course based upon the same particulars so far as applicable. It may be, that in arriving at the value of the fee simple, we are to disregard any circumstances which would in course of time benefit or prejudice the property, which could not so benefit or prejudice it within the limitations of the interest passing, and which therefore could not be considered in valuing that interest.

The example dictated that the property passing might fairly be regarded as a 7 per cent. investment. The 6 per cent. table has been adopted in valuing the fee simple. I do not understand the provisions of the Act to necessitate valuing the fee simple on the basis of the value of the interest passing in the sense of valuing it on the table which would be adopted in valuing the lesser interest.

Case VII.—Increment Value Duty payable on the Passing on Death of an Interest less than the Fee Simple. Leasehold Interest or Lifehold Interest.

Calculation of (*a*) assessable site value on an occasion on which duty is payable, (*b*) increment, and (*c*) increment value duty.

247. The steps to be taken in this case are precisely similar to those followed in the last example, and there does not appear to be any necessity for further illustration. In each case the value of the fee simple, based on the value of the interest passing on death, is what is required, and the fee simple value so found is dealt with similarly in finding assessable site value, increment value, and increment value duty.

But see § 249, **Apportionment of Duty.**

Case VIII.—Increment Value Duty payable on Periodical Occasions.

Calculation of (*a*) assessable site value on an occasion on which duty is payable, (*b*) increment value, and (*c*) increment value duty.

248. Section 2, subsection 2 (*d*) provides that when the occasion is a periodical occasion on which the duty is to be collected in respect of the fee simple of any land, or of any interest in any land held by a body corporate or unincorporate, the total value of the land on that occasion is to be estimated in accordance with the general provisions of the Act as to valuation.

As the method of finding the several values under the general provision of the Act has already been dealt with in §§ 215–224, no further example appears necessary. The reader is referred back to those sections.

APPORTIONMENT OF INCREMENT VALUE DUTY.

249. **Apportionment of Duty.**—The apportionment of duty has already been referred to briefly in § 233, and it now remains to deal with that matter rather more fully, and to give examples.

Section 3 (2) provides that where increment value duty is collected on the occasion of the transfer or passing on death of the fee simple of any land, or on any periodical occasion in the case of land held in fee simple by a body corporate or unincorporate, *the whole amount of the duty* which is determined to be unsatisfied shall be collected by the commissioners in accordance with rules made by them for the purpose.

Section 3 (3) provides that where increment value duty is

collected on the occasion of the grant of a lease, or on the transfer or passing on death of any interest in land, or on any periodical occasion in the case of an interest in land held by a body corporate or unincorporate, *such proportionate part of the duty* shall be collected as may be determined by the commissioners to be payable in respect of the interest in land created, transferred, passing on death, or held, in accordance with rules made by them for the purpose.

Section 4 (5) provides for the making of regulations by the commissioners for the payment of duty by instalments in the case of any lease or transfer on sale where the consideration is in the form of a periodical payment.

The regulations made under sections 3 and 4 will be found in Appendix B.

The application of the rules to the case of a transfer of an interest less than the fee simple, such as a leasehold interest or the grant of a lease, is as follows :—

(*a*) Suppose the interest passing to be a term of 30 years, and the increment value duty in respect to the fee simple to be £61, the proper proportion of duty payable will be

$$£61 \times \frac{\text{years' purchase for 30 years at 4 per cent.}}{\text{years' purchase for perpetuity at 4 per cent.}}$$

$$= £61 \times \frac{17{\cdot}29203}{25} = 61 \times {\cdot}691 = 42{\cdot}15 = \textbf{£42, 3s.}$$

(*b*) Suppose the interest passing to be one to be enjoyed for life by a person aged 30, and the amount of increment value duty in respect to the fee simple to be £61, the proportion of duty payable will be

$$£61 \times \frac{\text{years' purchase for age 30 (N. T.)* at 4 per cent.}}{\text{years' purchase for perpetuity at 4 per cent.}}$$

$$= £61 \times \frac{14{\cdot}781}{25} = 61 \times {\cdot}591 = 36{\cdot}051 = \textbf{£36, 1s.}$$

* N.T.—Northampton Table.

(*c*) Supposing the interest passing to be a reversionary interest in perpetuity after 30 years, and the duty in respect of the fee simple to be £61, the proportion will be

$$£61 \times \frac{\text{y.p. for perp. at 4 p.c.} - \text{y.p. for 30 years at 4 p.c.}}{\text{years' purchase for perpetuity at 4 per cent.}}$$

$$£61 \times \frac{25 - 17{\cdot}29203}{25} = 61 \times {\cdot}308 = £18{\cdot}788$$

$$= £18\ 15\ 9.$$

The proper proportion means the ratio of the present value of an annuity for the term of the interest under review to the present value of the same annuity in perpetuity.

Term of the interest means, (*a*) where the interest is an interest in possession, a term equal to the residue of the interest for the time being outstanding; (*b*) where the interest is a reversion expectant on the determination of a lease, a term equal to the term of the reversion deferred for the period of the outstanding term of the lease; (*c*) where the term of an interest is a term dependent on life, the term shall be taken to be a term equal to the mean expectation of life of the person on whose life the interest is dependent, or, where the interest is dependent on more than one life, of the youngest of the persons on whose life it is dependent.

The mortality tables based on the Northampton experience are to be adopted.

The 4 per cent. tables are adopted in the case of both fixed terms and lifehold interests. A term over 99 years is treated as a perpetuity.

REVERSION DUTY.

250. Subsection 2 of section 13 provides that "the value of the benefit accruing to the lessor" shall be the basis for the assessment of reversion duty.

The subsection is as follows:—"*For the purpose of this*

section the value of the benefit accruing to the lessor shall be deemed to be the amount (if any) by which the total value (as defined for the purpose of the general provisions of this part of this Act relating to valuation) of the land at the time the lease determines, subject to the deduction of any part of the total value which is attributable to any works executed or expenditure of a capital nature incurred by the lessor during the term of the lease and of all compensation payable by such lessor at the determination of the lease exceeds the total value of the land at the time of the original grant of the lease, to be ascertained on the basis of the rent reserved and payments made in consideration of the lease (including, in cases where a nominal rent only has been reserved, the value of any covenant or undertaking to erect buildings or to expend any sums upon the property), but where the lessor is himself entitled to only a leasehold interest, the value of the benefit as so ascertained shall be reduced in proportion to the amount by which the value of his interest is less than the value of the fee simple."

251. According to this subsection, the benefit accruing to the lessor by reason of the determination of the lease is to be the difference between Total Value when the lease falls in, and Total Value at the time of the original grant. Total value when the lease falls in, as defined by section 25 (3), is the value of the fee simple subject to fixed charges, public rights of way, public rights of user, rights of common, easements, and restrictions (if any); but by subsection 2, section 13, total value at the time of the original grant of the lease shall be ascertained on the basis of the rent reserved and payments made in consideration of the lease, including, in cases where a nominal rent only has been reserved, the value of any covenant or undertaking to erect buildings or to expend any sums upon the property.

252. The grant of a lease usually follows the fulfilment of a building agreement, and therefore the buildings would be erected at the time of the original grant.

253. Total value, according to the definition of section 25,

represents the value of land and buildings, and it is not difficult to arrive at a total value for land and buildings on the basis laid down by subsection 2 of section 13.

Under those circumstances, the total value at the time of the original grant should be represented by the reserved rent capitalised at some suitable rate of interest, plus the payments made by the lessee in erecting buildings, etc.

254. The intention of the legislature may have been to make lessors liable to pay reversion duty on the difference between the capital value of their or their predecessor's interest in the property at the date of the original grant, and the capital value of their interests at the time when the reversion falls in, but, if so, it appears from the legal decisions to have failed to do so.

255. Two examples of the calculation of reversion duty, illustrating the different constructions which may be placed on section 13, may be useful.

The Method of Assessing Reversion Duty.

256. **Example.**—A certain leasehold interest has just determined. The particulars of the case are as follows:—A, who is the freeholder of certain land, let it on building agreement to B for 40 years at a rent of £125 per annum, B undertaking to erect buildings costing £6000. B erected the buildings, and the leases were accordingly granted. At the present time the property lets on sublease at £672 per annum. What reversion duty (if any) is payable?

On a proper interpretation of section 13, proper, that is, so far as may be judged from the legal decisions given so far, the valuation might be as follows:—

257. To find the value of the property on the determination of the lease—

Rental value of the property on lease at the date when the head lease falls in . .	= £672		
Deduct contingencies, 2½ per cent. on £672, say	= 17		
Estimated net annual income . .	= £655		
£655 per annum in perpetuity at 5½ per cent. = £655 at 18·182 years' purchase, say . .		= £11,909	
Capital deduction for repairs which will not be met by the lessees		= 500	
Value of reversion at the date of expiration of lease . .			= £11,409

To find the value of the property at the date of the original grant—			
£125 per annum in perpetuity at 3½ per cent. = £125 at 28·572 years' purchase, say . .		= £3,571	
Outlay by lessee in fulfilment of covenants		= 6,000	
		= £9,571	
			= 9,571
Value of the benefit accruing to the lessor by reason of the determination of the lease			= £1,838

258. If section 13 were construed as meaning that on the determination of a lease the lessor shall pay reversion duty on the difference between the value of his interest in

the property immediately after the date of the original grant, and the value of his interest at the date of the expiration of the lease, the calculations might be as follows :—

Value of the property at the date of the expiration of the lease as already found .	= £11,409
Value of the ground rent of £125 per annum in perpetuity at 3½ per cent. = £125 at 28·572 years' purchase	= 3,571
Value of the benefit accruing to the lessor by reason of the determination of the lease .	= £7,838

The above shows a benefit of £7,838, as against £1,838, the actual benefit according to the correct construction of the section.

UNDEVELOPED LAND DUTY.

259. It may be well to preface the examples in this case with some notes which will serve to clear the reader's mind with regard to the matter dealt with.

260. Undeveloped land duty has some distinguishing features of its own. Unlike the ordinary rates and taxes, it is not based on annual but on capital value ; and, unlike increment value duty or reversion duty, it is not payable on the happening of certain events, such as sale and purchase, the grant of a lease or the death of the owner, but is payable annually.

261. The duty is an annual charge of one halfpenny calculated on the assessable site value of undeveloped land. The assessable site value is either that found originally for the provisional valuation, or is that found in a precisely similar manner in the course of any of the quinquennial valuations, the first of which the Act directs shall be made in the year 1914.

Minerals should not be included in arriving at assessable site value for the purposes of undeveloped land duty: they should be separately treated.

262. The undeveloped land duty is not necessarily calculated on the assessable site value found as indicated. The following cases should be specially noted:—

(*a*) If increment value duty has been paid on undeveloped land, for the purposes of calculating the undeveloped land duty, the assessable site value is to be reduced by five times the amount of the increment value duty so paid.

(*b*) An owner is also entitled to go duty free on one acre of land for each £100 expended on roads and sewers, provided the expenditure was incurred less than 20 years prior to the period at which duty is payable. This is subject to certain qualifications provided in section 16. Again,

(*c*) By section 36, an owner is entitled to deduct any capital sum or instalment of a capital sum which he has paid to any rating authority in respect of the increased or enhanced value of any land due to any improvements made or other action taken by the authority.

An owner is not, however, entitled to deduct interest on capital invested in the land.

263. Undeveloped land is defined by subsection 2 of section 16 as follows:—"*For the purposes of this part of this Act land shall be deemed to be undeveloped land if it has not been developed by the erection of dwelling-houses or of buildings for the purposes of any business, trade, or industry other than agriculture (but including glass-houses or green-houses), or is not otherwise used bona fide for any business, trade, or industry other than agriculture:*

"*Provided that—*

"(*a*) *Where any land having been so developed or used reverts to the condition of undeveloped land owing*

to the buildings becoming derelict, or owing to the land ceasing to be used for any business, trade, or industry other than agriculture, it shall, on the expiration of one year after the buildings have so become derelict or the land ceases to be so used, as the case may be, be treated as undeveloped land for the purposes of undeveloped land duty until it is again so developed or used; and

"(*b*) *Where the owner of any land included in any scheme of land development shows that he or his predecessors in title have, with a view to the land being developed or used as aforesaid, incurred expenditure on roads (including paving, curbing, metalling, and other works in connection with roads) or sewers, that land shall, to the extent of one acre for every complete hundred pounds of that expenditure, for the purposes of this section, be treated as land so developed or used, although it is not for the time being actually so developed or used, but for the purposes of this provision no expenditure shall be taken into account if twenty years have elapsed since the date of the expenditure, or if after the date of the expenditure the land having been developed reverts to the condition of undeveloped land, and in a case where the amount of the expenditure does not cover the whole of the land included in the scheme of land development, the part of the land to be treated as land developed or used as aforesaid shall be determined by the Commissioners as being the land with a view to the development or use of which as aforesaid the expenditure has been in the main incurred.*"

264. Referring to the definition contained in the subsection quoted, it may be pointed out that very little use may be regarded as rendering the land "developed" by being "used bona fide for any business, trade, or industry other than agriculture," provided profit accrues to

the owner. It should not be supposed that the conditional exemption of land used for games prevents owners of land so used seeking exemption on the ground of its being developed.

265. If a builder properly uses part of the land he is developing in connection with his building operations, he is entitled to have that part treated as "developed."

266. The owner of the land is the party liable to pay the duty, and he cannot contract out of that liability. A purchaser of land can be called upon to pay not exceeding three years' arrears of duty.

267. Sections 17 and 18 provide that lands shall be exempt in certain circumstances. The sections are as follows:—

Section 17.—"(1) *Undeveloped land duty shall not be charged in respect of any land where the site value of the land does not exceed fifty pounds per acre.*

"(2) *In the case of agricultural land of which the site value exceeds fifty pounds per acre, undeveloped land duty shall only be charged on the amount by which the site value of the land exceeds the value of the land for agricultural purposes.*

"(3) *Undeveloped land duty shall not be charged—*

"(*a*) *On the site value of any parks, gardens, or open spaces which are open to the public as of right; or*

"(*b*) *On the site value of any woodlands, parks, gardens, or open spaces, reasonable access to which is enjoyed by the public or by the inhabitants of the locality (including access regularly enjoyed by any of the naval or military forces of the Crown for the purpose of training or exercise), where, in the opinion of the Commissioners, that access is of public benefit; or*

"(*c*) *On the site value of any land where it is shown to the Commissioners that the land is being kept free of buildings in pursuance of any definite scheme, whether framed before or after the passing of this Act, for the development of the area of which the*

land forms part, and where, in the opinion of the Commissioners, it is reasonably necessary in the interests of the public, or in view of the character of the surroundings or neighbourhood, that the land should be so kept free from buildings; or

"(*d*) *On the site value of any land which is bona fide used for the purpose of games or other recreation where the Commissioners are satisfied that the land is so used under some agreement with the owner which, as originally made, could not be determined for a period of at least five years, or where, in the opinion of the Commissioners, other circumstances render it probable that the land will continue to be so used.*

268. "*Where any land kept free from buildings in pursuance of any definite scheme has received the benefit of an exemption from undeveloped land duty by virtue of this section, that land shall not be built upon unless the Local Government Board give their consent, on being satisfied that it is desirable in the interests of the public that the restriction on building should be removed; and any such consent may be given subject to such conditions as to the mode in which the land is to be built upon as the Local Government Board think desirable under the circumstances.*

269. "*The opinion of the Commissioners as to matters which are expressed to be matters for the opinion of the Commissioners under this subsection shall be final and not subject to any appeal.*

270. "(4) *Undeveloped land duty shall not be charged on the site value of any land, not exceeding an acre in extent, occupied together with a dwelling-house, or on the site value of any land being gardens or pleasure grounds so occupied when the site value of the gardens and pleasure grounds, together with the site value of the dwelling-house, does not exceed twenty times the annual value of the gardens, pleasure*

grounds, and dwelling-house as adopted for the purpose of income tax under Schedule A:

271. "*Provided that the exemption under this provision shall not apply so as to exempt more than five acres, and where the land, gardens, or pleasure grounds, occupied together with a dwelling-house, exceed five acres in extent, those five acres shall be exempted which are determined by the Commissioners to be most adapted for use as gardens or pleasure grounds in connection with the dwelling-house.*

272. "*Where the dwelling-house, gardens, and pleasure grounds are valued for the purpose of income tax under Schedule A, together with other land, the total annual value shall be divided between the dwelling-house, gardens, and pleasure grounds and the other land in such manner as the Commissioners may determine.*

273. "(5) *Where agricultural land is at the time of the passing of this Act held under a tenancy originally created by a lease or agreement made or entered into before the thirtieth day of April nineteen hundred and nine, undeveloped land duty shall not be charged on the site value of the land during the original term of that lease or agreement while the tenancy continues thereunder: provided that where the landlord has power to determine the tenancy of the whole or of any part of the land, the tenancy of the land or that part of the land shall not be deemed for the purposes of this provision to continue after the earliest date after the commencement of this Act at which it is possible to determine the tenancy under that power.*

274. Section 18.—"*Undeveloped land duty shall not be charged on the site value of any agricultural land, occupied and cultivated by the owner thereof, where the total value of that land, together with any other land belonging to the same owner, does not exceed five hundred pounds.*

275. "*For the purposes of this provision the expression 'owner' includes a person who holds land under a lease which was originally granted for a term of fifty years or more.*"

276. From what has been said it will be gathered that, so far as the valuation for assessable site value for the purposes of undeveloped land duty is concerned, the process is precisely that already indicated.

277. The points to receive attention in dealing with cases involving the payment of undeveloped land duty are : (*a*) the accuracy of the assessable site value, (*b*) the exemptions of land from the payment of duty, and (*c*) the deductions which an owner liable to pay duty is entitled to make.

278.

279.

Calculation for Undeveloped Land Duty.

280. **Example.**—The particulars of a certain property are as follows :—Forty acres of land which for the next 5 years will remain agricultural land worth £2 per acre per annum, after which, for a further period of 5 years, it will be accommodation land worth £5 per acre per annum. It will then become ripe building land worth £30 per acre per annum ground rent. It is estimated that 10 years will elapse before the land is all developed and the ground rent is secured. Last year the owner came to an arrangement with his tenant by which, for a consideration, he was permitted to form a road through part of the land, which cost him £450, his object being to let some of the land for building purposes, his tenant being prepared to surrender land as required, for a consideration agreed upon. The steps taken toward development were premature. Three acres of the land are sublet by the tenant as a rifle range, for which he receives a rental of £25 per annum. The difference between gross and full site value is £2500.

281. The workings will be as follows :—

Gross Value.

AGRICULTURAL LAND.

40 acres at £2 per acre per annum = £80 per annum.
£80 per annum for 5 years at 4 per cent. = £80 at 4·4518 years' purchase = £356·14, say . . . . = £356

ACCOMMODATION LAND.

40 acres at £5 per acre per annum = £200 per annum.
£200 per annum for 5 years after 5 years at 4½ per cent.
= £200 at 3·5228 years' purchase = £704·56, say . = 705

10 years at 4½ per cent. = 7·9127 y. p.
5 „ „ = 4·3899 „
5 after 5 years = 3·5228 „

AVERAGE GROUND RENT SECURED DURING THE UNSETTLED PERIOD OF 10 YEARS AFTER 10 YEARS.

40 acres at £30 per acre per annum = £1200.

1st year	$\frac{1}{10}$	of £1200	=	£120
2nd „	$\frac{2}{10}$	„	=	240
3rd „	$\frac{3}{10}$	„	=	360
4th „	$\frac{4}{10}$	„	=	480
5th „	$\frac{5}{10}$	„	=	600
6th „	$\frac{6}{10}$	„	=	720
7th „	$\frac{7}{10}$	„	=	840
8th „	$\frac{8}{10}$	„	=	960
9th „	$\frac{9}{10}$	„	=	1080
10th „	$\frac{10}{10}$	„	=	1200
				10)6600
		Average . .		£660

£660 for 10 years after 10 years at 5 per cent.

20 years at 5 per cent. = 12·4622 y. p.
10 „ „ = 7·7217 „
10 after 10 years = 4·7405 „

£660 at 4·7405 years' purchase = £3128·73, say . = 3129

GROUND RENT AFTER THE PROPERTY HAS BEEN FULLY DEVELOPED.

£1200 per annum in perpetuity after 20 years at 4 per cent.
Perpetuity at 4 per cent. = 25 y. p.
20 years . . . = 13·5903 „
Perpetuity after 20 years = £11·4097 „
£1200 at 11·4097 years' purchase = £13,691·64, say = 13,692
Gross value . . = £17,882

Total Value.

There being no fixed charges, public rights of way or user, rights of common, easements, or covenant, or agreements restricting the use of the land to diminish value, the gross value is also the total value . . . . . = £17,882

Full Site Value.

Total value as found . . . . . = £17,882
Difference between gross value and full site value . . . . . = 2,500
Full site value . . . . = £15,382

Assessable Site Value.

Total value as found . . . . . = £17,882
Deduct the same amount as is to be deducted for the purpose of arriving at the full site value from gross value = £2500
Expenditure of a capital nature on roads for the purpose of improving the land as building land . . . = 450
= 2,950
Assessable site value . . . . = £14,932

Assessable site value as found. . . . . = £14,932
Value of the land as agricultural land £80 per annum in perpetuity at 4 per cent. = £80 at 25 years' purchase . . . . = 2,000
Excess of value over and above agricultural value . . . . = £12,932
Of this last value found, a proportion must be allowed to represent the portion of the land which is not liable to undeveloped land duty, viz. (*a*) the area of land "developed" by being let out at a profit as a rifle range . . . . . = 3 acres
and 1 acre for each complete £100 expended on roads . . . = 4 „
Total . . = 7 acres
$\frac{7}{40}$ of £12,932 . . . . . = 2,263
= £10,669

Duty one halfpenny in the £ on £10,669 = £22, 4s. 6d. p. a.

MINERAL RIGHTS DUTY.

282. Mineral rights duty, like undeveloped land duty, is an annual duty, but instead of being calculated on the capital value of land, it is based on the annual rental value of all rights to work minerals, and of all mineral wayleaves. By section 20, subsection 2, the rental value shall be taken to be—

"(*a*) *Where the right to work the minerals is the subject of a mining lease, the amount of rent paid by the working lessee in the last working year in respect of that right; and*

"(*b*) *Where minerals are being worked by the proprietor thereof, the amount which is determined by the Commissioners to be the sum which would have been received as rent by the proprietor in the last working year if the right to work the minerals had been leased to a working lessee for a term and at a rent and on conditions customary in the district, and the minerals had been worked to the same extent and in the same manner as they have been worked by the proprietor in that year: provided that the Commissioners shall cause a copy of their valuations of such rent to be served on the proprietor; and*

"(*c*) *In the case of a mineral wayleave, the amount of rent paid by the working lessee in the last working year in respect of the wayleave:*

"*Provided that if in any special case it is shown to the Commissioners that the rent paid by a working lessee exceeds the rent customary in the district, and partly represents a return for expenditure on the part of any proprietor of the minerals which would ordinarily have been borne by the lessee, the Commissioners shall substitute as the rental value of the right to work the minerals or the mineral wayleaves, as the case may be, such rent as the Commissioners determine*

would have been the rent customary in the district if the expenditure had been borne by the lessee."

By subsection 5 of section 20: "*Mineral rights duty shall not be charged in respect of common clay, common brick clay, common brick earth, or sand, chalk, limestone, or gravel.*"

By section 22: "(1) *No reversion duty shall be charged on the determination of a mining lease, and no increment value duty shall be charged on the occasion of the grant of a mining lease, or in respect of minerals which are comprised in a mining lease, or are being worked, except as a duty payable annually in manner provided by this Act.*

"(2) *Increment value duty shall not be charged in the case of any minerals which were, on the thirtieth day of April nineteen hundred and nine, either comprised in a mining lease or being worked by the proprietor, so long as the minerals are for the time being either comprised in a mining lease, or being worked by the proprietor: provided that the exemption under this section shall continue to apply in the case of any minerals, although they cease for a temporary period to be comprised in a mining lease or to be worked, so long as the period does not exceed two years.*

"(3) *Increment value duty in respect of the increment value of minerals which are comprised in a mining lease or are being worked shall, where that duty is chargeable, be charged annually; and the increment value shall, instead of being estimated as a capital sum, be taken to be the sum (if any) by which, in each year during which the lease continues or the minerals are being worked, as the case may be, the rental value on which mineral rights duty is charged in respect of the right to work the minerals exceeds the annual equivalent of the original capital value of the minerals, or the capital value of the minerals on the last preceding occasion on which increment value duty has been collected otherwise than as an annual duty, if the increment value duty has been so collected before the minerals have become comprised in a mining lease or have commenced to be worked; and the annual equivalent*

of any such capital value of the minerals shall be taken to be two twenty-fifth parts of that capital value.

"(4) *If in any case it is shown to the Commissioners that the rental value on which mineral rights duty is charged represents in part a return for money expended within fifteen years by a lessor in boring or otherwise proving the minerals, the rental value shall be reduced for the purposes of the collection of increment value duty by the amount which represents that return.*

"(5) *Increment value duty payable annually under this section shall, instead of being collected as provided by this Act in other cases, be recoverable in the same manner as mineral rights duty, with the same right of deduction.*

"(6) *Any proprietor or lessor of any minerals who pays increment value duty in pursuance of this provision shall be entitled to be relieved in any year from the payment of mineral rights duty, as such proprietor or lessor, up to the amount paid by him in that year in respect of increment value duty.*

"*For the purposes of this provision a deduction of any amount from the rent payable to a lessor on account of mineral rights duty shall be deemed to be a payment of that duty, and the relief may be given either by allowance or repayment or both of those means, as the occasion may require.*

"(7) *Where minerals cease to be comprised in a mining lease or to be worked within the meaning of this section, the capital value of the minerals at the time shall be specially ascertained in accordance with the provisions of this Act, and the capital value as so ascertained shall be treated as the original capital value of the minerals.*

"(8) *Nothing in this section shall apply to minerals which are exempt from mineral rights duty under this Act.*

"23. (1) *For the purposes of this part of this Act, the total value of the minerals means the amount which the fee simple of the minerals, if sold in the open market by a willing seller in their then condition, might be expected to realise, and the capital value of minerals means the total value, after allow-*

ing such deduction (if any) as the Commissioners may allow for any works executed or expenditure of a capital nature incurred bona fide by or on behalf of any person interested in the minerals for the purpose of bringing the minerals into working, or where the minerals have been partly worked, such deduction as is, in the opinion of the Commissioners, proportionate to the amount of minerals which have not been worked.

"(2) *For the purposes of valuation under this part of this Act, all minerals shall be treated as a separate parcel of land; but where the minerals are not comprised in a mining lease or being worked, they shall be treated as having no value as minerals, unless the proprietor of the minerals, in his return furnished to the Commissioners, specifies the nature of the minerals and his estimate of their capital value.*

"*Minerals which are comprised in a mining lease or are being worked shall be treated as a separate parcel of land, not only for the purposes of valuation, but also for the purpose of the assessment of duty under this part of this Act.*

"(3) *The provisions of this part of this Act with respect to valuation shall not apply to minerals which were, on the thirtieth day of April, nineteen hundred and nine, either comprised in a mining lease or being worked by the proprietor, so long as they are for the time being either comprised in a mining lease or being worked by the proprietor, nor shall such provisions apply to any minerals which cease for a temporary period to be comprised in a mining lease or to be worked, so long as the period does not exceed two years.*

"(4) *Except where the context otherwise requires, any references in this part of this Act to the site value of land shall, in cases where the land consists solely of minerals, or comprises minerals, be construed, so far as respects the minerals, as a reference to the capital value of the minerals.*"

283. From the foregoing it will be gathered that the principles of valuation are not concerned with the assessment to mineral rights duty. It is a question of rental

value which is either the rent actually paid by a working lessee, or the rent which the owner who is working the minerals would have received had he leased the property to a working lessee under the conditions customary in the district. An estimate of such rent could only be formed on full particulars of the nature of the minerals, the output, the working expenses involved, and so on. It is not a case which can be usefully illustrated by worked example.

CHAPTER IX.

COPYHOLD ESTATE.

284. Copyhold Estate. 285. Joint Tenants. 286. Tenants in Common. 287. Coparceners. 288. Copyholds—How Transferred. 289. Enfranchisable Copyholds. 290. Customary Freeholds. 291. Chief Considerations. 292. Class of Copyhold. 293. Enfranchisable Copyhold Estate. 294. Enfranchisement Consideration. 295. The Customs of Manors, General and Special. 296. The Fine Arbitrary. 297. Varying Fine on Admission after Death and on Admission after Alienation. 298. Fines Paid for Licence to Lease. 299. The Fine Certain. 300. The Heriot. 301. Reliefs. 302. Quit Rents. 303. Chief Rents. 304. Licences. 305. Timber. 306. Mines and Minerals. 307. The Lord's Right to Escheat. 309. Lord's Right to Forfeiture. 310. Tenants' Right of Common. 311. Tenant's Liability for Repair. 312. The Information Required in Calculating Enfranchisement Consideration. Fineable Annual Value. 313. Capitalisation of Fines, etc. 319. The Application of Official Scale in Assessment of Compensation. 320. Fines Arbitrary —How Valued. 321. Fine Certain, Reliefs and Heriots—How Valued. 322. Quit Rents and all Annual Payments—How Valued. 323. Timber—Allowance For. 324. Forfeiture—Allowance For. 325. Escheat. 326. Special Customs and Circumstances. 327. Cost of Enfranchisement. 328. Admissions and Admission Fines. 330–364. Examples. 331. Single Tenant Case. 338. Joint Tenancy Example. 342. Tenants in Common Example. 345. Case of Coparceners. 346. Admission Fines and Enfranchisement Consideration Examples.

284. **Copyhold Estate.**—The subject of copyhold estate can only be dealt with fully in a work devoted to that subject. This chapter is confined to placing before the reader the chief considerations relating to copyhold tenure as they affect valuation.

Copyhold estate is defined as land parcel of a manor held at the will of the lord according to the customs (Chapter II. § 45).

Copyhold may be copyhold of inheritance, copyhold for life, or lives, or years with right of renewal, or copyhold for life, lives, or years without the right of renewal.

Copyholds may be held by single tenants, joint tenants, tenants in common and coparceners.

285. **Joint Tenants.**—Joint tenants hold by one title, separate though undivided shares, and have benefit of survivorship. They can transfer their shares to one another during life, and the survivors succeed to a deceased tenant's share, no fines being payable to the lord in such circumstances. Consequently once joint tenants have been admitted, it is only when the last of the lives fails, and (usually) only when all the surviving tenants unite in alienating, that the lord of the manor receives another fine (Chapter II. § 18).

As the probable fine interval is thus lengthened by the admission of more than one tenant, an increased fine has to be paid, and the usual rule is to fix it at the full fine which a single tenant would pay for the first life, half that fine for the second life, half the fine on the second life for the third life, and so on.

286. **Tenants in Common.**—Tenants in common have unity of possession, but hold separate interests, and have distinct titles. There must be a separate admission of each such tenant in respect of his share in copyhold property, and the full fines attributable to that share will be payable.

If tenants in common unite and sell the whole of their interests, the purchaser will have to pay the multiplied fines. There may be variations of the foregoing rules by special custom (Chapter II. § 19).

287. **Coparceners.**—Coparceners have an equal title in the property held in coparcenary which always arises by descent, and hold without benefit of survivorship. They constitute one tenant, and only pay one set of fines. They can transfer their shares to one another without becoming liable to fines, but on the death of a tenant, the successor by descent will have to pay the fine attributable to his interest.

Coparceners may combine and sell the whole property. The purchaser will be admitted on paying the usual fine paid on the admission of a single tenant (Chapter II. § 20).

Special custom varying any of the before mentioned general rules must of course be regarded.

288. **Copyholds — How Transferred.**—Copyholds are transferred from one party to another by what is known as surrender and admission, which is recorded in the Court Rolls. A copy of the Court Roll is the evidence of title.

289. **Enfranchisable Copyholds.**—Copyhold of inheritance, and copyhold for life, lives, or years with right of renewal can, with rare exception, be compulsorily enfranchised under the Copyhold Act 1894. By enfranchising, the copyholder secures the freehold.

290. **Customary Freeholds.**—Customary freeholds are freehold in the sense that the freehold tenure is vested in the owner. But it is a freehold held from the lord of the manor instead of from the crown, as in the case of ordinary freeholds, and the lord has the right of escheat. In other respects customary freeholds are much more like copyholds than freeholds in that they are held of the lord of the manor according to the customs, which customs involve conveyance by surrender and admission instead of by common law deed, copy of court roll being the evidence of title instead of the usual deed of conveyance. Such customary freeholds are usually liable to manorial incidents, including the payment of rents, heriots, etc., and the minerals, if any, are the property of the lord of the manor.

291. **Chief Considerations.**—The chief considerations in connection with copyhold estate from the valuation point of view are :—

(1) The sharp distinction which exists between copyhold of inheritance and copyhold for life, lives, or years held with right of renewal, and copyhold securing the copyholder only a limited interest in point of duration.

(2) The general right of the admitted copyholder to compel enfranchisement of copyhold of inheritance and copyhold for life, lives, or years, held

with the right of renewal under the Copyhold Act 1894, and so to acquire the estate in fee simple.

(3) The cost involved in enfranchising copyholds; or the difference in value between freehold and copyhold properties, including the lord's compensation, steward's fees, fees payable to the Board of Agriculture, valuer's fees, and expenses.

(4) The customs of the manor, general and special, and the liability and position of the copyholder under them.

(5) The strictly limited nature of the copyhold estate in the case of copyholds held for life, lives, or years without the right of renewal.

(6) Possible difference between the value to the admitted copyholder, and the value to a purchaser of the copyhold estate.

(7) Admission fines and payments which must under certain circumstances be tendered before enfranchisement can be demanded.

292. **Class of Copyhold.**—A point of the greatest importance is the class of copyhold to be dealt with. Is it one which gives the copyholder an unlimited interest in point of duration, and are the circumstances those which give him the power to compel enfranchisement, and by enfranchising to acquire the freehold; or has he only a limited estate which will expire on the completion of a number of years, or on failure of the life or lives on which it is held? The answer to this question is obviously all-important. These are questions of fact, and can only be decided on reliable information.

If the copyholder has an unlimited estate in point of duration, and if he can compel the lord to enfranchise, the value is the value of the freehold minus all the expense

involved in enfranchisement. If, on the contrary, the estate is limited in point of duration, the limitation must be taken into full account in placing a value on the property. (**Enfranchisement Consideration,** see § 294. **Cost of Enfranchisement,** see § 327.)

293. **Enfranchisable Copyhold Estate.**—With the exception of cases in which the enjoyment or value of the lord's mansion house, park, gardens, or pleasure grounds might be prejudicially affected by enfranchisement, the admitted copyholder in the case of copyhold of inheritance or copyhold held for life, or lives, or years, with the right of renewal, is entitled to demand enfranchisement, and by enfranchising may acquire the estate in fee simple.

In the exceptional circumstances referred to the copyholder cannot compel enfranchisement if the lord is prepared to purchase his (the copyholder's) interest (section 11, Copyhold Act 1894).

294. **Enfranchisement Consideration** (see also § 327). —The amount of the enfranchisement consideration necessarily depends on the rights attaching to the lord's interest to be acquired, and those rights depend on the customs of the manor, general and special. The consideration will also depend to a certain extent on whether the property is held by a single tenant, joint tenants, coparceners, or tenants in common, whether any admission has taken place since 30th June 1853, and whether all fines due on the last admission have been paid (see also **Cost of Enfranchisement**, § 327).

THE CUSTOMS OF MANORS, GENERAL AND SPECIAL.

295. **General Customs.**—The customs of manors are really laws obtaining with regard to the holding of property within the manor, and are binding on lord and tenant alike.

Customs vary in different manors, and it is therefore

necessary in dealing with any specific case to know what the customs affecting that case are.

The general customs usually provide for the payment by the copyholder of certain fines—known as fines arbitrary and fines certain,—heriots, quit rents, chief rents, and reliefs on the occurrence of certain events, usually the admission of a new tenant rendered necessary by the death of the tenant on the rolls, or by his alienating the estate by sale, or otherwise. The payments may have to be made on the admission of a new tenant necessitated by any circumstances, or it may be that the fines are only payable when the cause is a specific circumstance, as death, or alienation.

When fines are referred to as being payable on admission, without qualification, you are to understand the reference to be to fines which may be demanded no matter what the cause requiring admission of a new tenant. In other cases the fine is said to be payable on admission after death only, or on admission after alienation only.

Whether the fine payable is a fine arbitrary, or a fine certain, or both, depends entirely on the custom.

Special Customs.—In some manors there are special customs which render the tenant liable to pay a fine on the death of the lord, or possibly a heriot on the birth of the lord's child, the marriage of the heir, and so on. In calculating enfranchisement consideration, any such special customs must be regarded.

Where there is a special custom under which copyhold tenants pay no fines or only small fines on admission subsequent to the first admission, the first fine may be much higher than what is considered the maximum under common custom, viz. two years' annual value.

296. **The Fine Arbitrary** (see also § 320).—A fine arbitrary is a fluctuating fine in that its amount depends on the annual value of the property; under the common customs it may be two years' annual value, one and a half years' annual value, or some other sum depending on annual

value. Fines must be reasonable and customary — two years' fine has been held reasonable.

297. **Varying Fine.**—Where a fine arbitrary is payable on admission after death and on admission after alienation, it may be, say, two years' annual value in the one case, and one and a half years' annual value in the other, or any other proportion, according to the custom of the manor; or the fine may be payable only in one event.

298. **Fines Paid for Licence to Lease.**—The fines which a copyhold tenant may have to pay for the lord's licence to lease for periods longer than those allowed by custom should not be confused with the fines arbitrary or certain (see § 304).

299. **The Fine Certain** (see also § 321).—A fine certain is a fine of fixed amount or an amount ascertainable according to some standard. It is usually small, and is payable in the same circumstances as, and either as well as or instead of, a fine arbitrary.

300. **The Heriot** (see also § 321).—A heriot consists in something which the lord is entitled to seize on the occurrence of certain events, usually the same events as those which give rise to the payment of a fine. It originally consisted in the best beast, the best bird, or the best chattel to be found on the holding, but more often now we find a sum of money has been agreed upon.

In enfranchisement compensation cases, in which the heriot has not been agreed at a sum of money, the value of it must be estimated, and in doing this the valuer should have regard to—

(a) **The average of the last three heriots paid;**
(b) **The condition in life of the tenant;**
(c) **Whether the heriot may be seized without as well as within the manor.**
(d) **Any special customs** (see also § 321).

301. **Reliefs** (see also § 321).—These are very much the same as fines certain: they are small sums payable to

the lord of the manor on the death of or alienation by the copyholder, and admission of his successor. It is a question of fact whether a relief is payable under the customs.

302. **Quit Rents** (see also § 322).—These are small *annual* payments due from the copyholder to the lord of the manor.

303. **Chief Rents** (see also § 322).—Chief rents are similar to quit rents.

304. **Licenses.**—In many cases the copyholder is very much restricted in his power to grant leases of the copyhold property, and may have to obtain the lord's license if he wishes to create a lease for a period longer than that allowed by the customs of the manor, which is often one year only. For such licenses he of course has to pay a fine, and, unless he can prove custom, the amount is a matter for agreement between the parties.

305. **Timber** (see also § 323).—Under the most usual customs the timber on copyhold estate is the property of the lord, but the tenant has obstructive rights which necessitate the lord's obtaining his permission to enter and cut and cart away the wood. The tenant has the right to take timber for repairs. The lord must, under these circumstances, be compensated on an enfranchisement for what he loses under this head, and the compensation will be represented by some suitable proportion of the value of the timber growing on the estate at the time of enfranchisement.

306. **Mines and Minerals** (see also § 312 (7)).—It should be noted that the lord cannot be compelled to include in an enfranchisement his right in mines and minerals, and consequently, supposing a case in which a lord's rights in minerals are concerned, the property may (and will unless otherwise arranged by mutual agreement) remain subject to those rights. In such circumstances and in this respect an enfranchised copyhold might be less valuable than would be an unburdened freehold, and we could not say that the difference in value between such a copyhold and

the freehold was represented by the cost of enfranchisement, which would not extend to minerals.

307. **The Lord's Right to Escheat** (see also § 325). —The lord's right to escheat is not affected by enfranchisement under the Copyhold Act, but this is not a point of practical importance in valuation.

308.

309. **Lord's Right to Forfeiture** (see also § 324).—If a copyholder fails to observe the customs of the manor he is liable to forfeit his property to the lord. The chances of forfeiture are very remote, and in assessing compensation for enfranchisement, either the item is disregarded, or anything not exceeding 20 per cent. of a year's annual value is included for this and other manorial incidents not covered by the more specific items of the assessment.

310. **Tenant's Right of Common.**—In many cases the copyhold tenants possess certain rights of common. These are not affected by a compulsory enfranchisement, and they have not therefore to be taken into account in assessing compensation (section 22, Copyhold Act 1894).

311. **Tenant's Liability for Repair.**—A copyhold tenant is liable for both commissive and permissive waste, and must keep the copyhold property in repair. In assessing enfranchisement compensation in respect to arbitrary fines, the cost of repair is an item to deduct from the annual rental in finding fineable annual value.

312. **The Information Required in Calculating Enfranchisement Consideration. Fineable Annual Value.**—Before compensation can be assessed we must know :—

(1) Whether a fine arbitrary is payable, and if so

(a) Whether it is the maximum amount of two years' fineable annual value, or if not what proportion the fine bears to annual value.

(b) Whether the fine is payable on admission after both death and alienation, or on admission

after death only, or on admission after alienation only.

(c) If the fine is payable in both events, whether it is the same amount in each case (see §§ 317–320).

As fines arbitrary are based on fineable annual value, where fines arbitrary are concerned we must know

(a) The annual value;

(b) The proper deduction to make from the annual value in finding fineable annual value.

The annual value must be known, and fineable annual value is found by deducting therefrom a proper allowance for repairs, where there are buildings, quit rent (if any), and tithe rent charge (if any) paid by the copyholder. Land tax is not to be deducted.

The gross annual value of the land for the poor rate assessment may be used when applicable as the basis for ascertaining the annual value.

Where there are facilities for improvement or the land has prospective building value, one twenty-fifth part of the capital value of the land may be taken as the annual value.

(2) Whether a fine certain is payable, and if so,

(a) The amount of the fine;

(b) The events in which it is payable, whether on admission after both death and alienation, or on admission after death only, or on admission after alienation only (see § 321).

(3) Whether any heriot is payable, and if so the value of the heriot, and the events in which it is payable, as in the case of the fine certain (§ 321).

(4) Whether there is any quit rent or chief rent payable, and if so the amount of the rent (§ 322).

(5) Whether there is any relief payable, and if so the amount of it, and the events on the happening of which it is payable (§ 321).

(6) The value of the timber, and whether the tenant has the usual obstructive rights; also the general nature of the property, and whether there are buildings on the land, which may suggest the proper allowance to be made for repairs (§ 323).

(7) Whether it is mutually agreed that the lord's rights in mines and minerals, etc., shall be included in the enfranchisement, and if so the value of those rights (see § 306).

(8) Whether there are facilities for improvement or the land has prospective building value. This should be taken into consideration in assessing the value of the lord's interest (§ 321 (1)).

(9) Whether the copyhold property is held by a single tenant, joint tenants, tenants in common or coparceners, as suggesting the proper capitalisation of the income to arise out of the manorial incidents, and the age or ages of the tenant or tenants (§§ 284, 285, 286, 287).

313. **Capitalisation of Fines, etc.**—Copyhold enfranchisement is under the control of the Board of Agriculture, and the Board has issued a "Minute" and a "Scale of Compensation." The adoption of this scale is not compulsory, but is usual.

314. It is important that the minute and scale should be thoroughly understood, and they are therefore given in Appendix B.

315. The scale of compensation shows the years' purchase to be applied to *fineable annual value* in the case of arbitrary fines, and to the *amount* of fines certain, reliefs, and heriots.

In assessing the compensation to be paid to the lord of

the manor on enfranchisement, regard must be had to the age of the copyholder.

316. The table is arranged in two columns, the first giving the ages from 5 to 100 years, and the second the years' purchase applicable thereto. The years' purchase has been calculated on the assumption of a fine interval of 14 years, but the age of the tenant has been taken into account.

317. It should be noted that the scale of compensation has been formed so that the years' purchase for given ages may be applied as they stand to any case in which the fine is *two years' annual value, and when it is payable on admission both on alienation and after death.* This being so, when applied to any fine which is either not two years' annual value, or not payable in both the events named, a proportion of the years' purchase only, equal to the proportion which the fines bear to this standard, must be used.

318. The years' purchase are applied to the fineable annual value, which is only half the maximum fine, and gives a correct result, assuming the fine is the maximum of two years' annual value. If the fine were only one year's value, the result obtained as above would be double what it ought to be: we ought, therefore, in such circumstances to use *only half* the years' purchase given in the scale. If, as well as being one instead of two years' annual value, the fine were payable only in one event, the result found as above mentioned would be four times what it should be: in such circumstances we must use only *one-fourth* the years' purchase given in the scale.

The same reasoning applies in valuing fines certain, reliefs, and heriots. When they are payable in both events, the application of the whole years' purchase given in the table would produce double their capital value, for the whole fine would be multiplied by the years' purchase, and not half only of it, as is the case when the fineable annual value is multiplied by the years' purchase, and the fine arbitrary is

the maximum of two years' annual value. If the fines were payable in one event only, the application of the full years' purchase would produce four times the capital value. This explanation indicates the reason for the directions given as to using either the whole or only a fraction of the years' purchase given in the scale, in assessing compensation (§§ 320, 321).

319. **Application of Official Scale in Assessing Compensation** (see also Appendix B).—The years' purchase in the scale are applied in valuing the several manorial incidents as follows :—

320. **Fines Arbitrary** (see also § 296).—When the fine is of the maximum amount of two years' fineable annual value and payable in both events (death and alienation), multiply one year's fineable annual value by the years' purchase as found in the table. If the fine is more or less than two years' annual value, or payable other than in the two events, death of and alienation by the tenant, use that proportion of the years' purchase applicable.

321. **Fines Certain, Reliefs, and Heriots** (see also §§ 299, 300, 301).—If the fine relief or heriot is payable on admission both on death of and on alienation by the tenant, multiply the amount of the fine by half the years' purchase taken from the table. If the fine is payable in one event only, use one-fourth the years' purchase taken from the table.

Note.—In some cases under special custom, a fine is payable on death of the lord : in such circumstances the compensation must be increased accordingly.

322. **Quit Rents and all Annual Payments** (see also §§ 302, 303).—Multiply the amount of the rent by 25 to find capital value.

323. **Timber.**—It is impossible to name any definite allowance of timber to the tenant for repairs, as much must depend upon what there is to repair, but the allowance is usually a fairly full one, anything perhaps from 10 per cent. to 33⅓ per cent. of the value.

The considerations which should guide us are the quantity of timber compared with the subject of repair. Where there is a considerable quantity of timber and little in the way of buildings to repair, a small percentage would be sufficient; but where there is little timber and a considerable quantity required annually for repairs, a large percentage would not be too much. It must not be overlooked that in assessing compensation we are dealing with the capital value of the timber, and we are allowing a percentage on capital value as the capital value of the tenant's allowance.

Where the tenant has the usual obstructive powers, deduct the tenant's allowance from the value of the timber and take half the remainder as the lord's compensation. Where the tenant has no obstructive powers, the whole remainder, after deducting for repairs, represents the lord's compensation.

Any special custom of the manor as to timber should be regarded.

324. **Forfeiture, etc.** (see also § 309).—The allowance for forfeiture and all other incidents not hereinbefore provided for, should not exceed 20 per cent. of the annual value of the property.

325. **Escheat** (see also § 307).—The lord's right of escheat is not affected by enfranchisement, and no allowance should therefore be made in respect of it.

326. **Special Customs and Circumstances.**—Any (if any) special customs or circumstances affecting the land must be considered in assessing compensation.

327. **Cost of Enfranchisement** (see also § 294).—The actual cost of enfranchisement will of course be much more than the compensation payable to the lord alone, and will be made up of any or all of the following items:—

The lord's compensation.

Steward's statutory fees.

Fees payable to the Board of Agriculture.

Stamp duties and expenses, cost of parchment for award, and map, if any.

Valuer's fees.
Solicitor's fees.

Speaking generally, and subject only to very unimportant qualification, the person requiring the enfranchisement pays all the fees, etc., on both sides.

328. **Admissions and Admission Fines.—Before a purchaser of copyhold can compel enfranchisement he must be admitted, and the admission fines will have to be paid. All fines due and outstanding on last admittance must be paid before enfranchisement. Where an admission has not taken place since 30th June 1853, before enfranchisement can be compelled the value of the fines and heriots, etc., which would have been payable on admittance subsequent to that date, and two-thirds the steward's fee, must be paid.**

329. In case of sale it would usually be better for the copyholder in possession to enfranchise and then sell the freehold.

330. **Examples.**—The treatment of the various points referred to, and the application of the rules to them in practice, is shown in the following worked examples.

COPYHOLD ENFRANCHISEMENT.

Worked Examples.

Case I.—Single Tenant.

331. **Question 1.**—Value as Umpire a Copyhold for Enfranchisement Consideration, Particulars being as follows:—The Land is Agricultural Land, Value £30 per annum. Fine Certain £1, 5s. on each Admission. Quit Rent 3s. 4d. Heriot £5 on Death only. Tenant's Age 41. Timber Value £20. With Usual Obstructive Powers to Tenant.

Solution.—Fine certain £1, 5s. × 1·70 (§ 321) .	= £	2	2 6
Quit rent 3s. 4d. at 25 years' purchase (§ 322) .	=	4	3 4
Heriot (one event) £5 × ·85 (§§ 300 and 321) .	=	4	5 0
Timber £20 ÷ 3 (§ 323)	=	6	13 4
	= £	17	4 2

332. *Notes on the Question and Solution.*—The statement that the fine certain is payable on "each admission" is not qualified by the words "on death" or "on alienation," and it is therefore to be assumed that the fine is payable on each admission following either event. The years' purchase in the official scale for the age 41 is 3·40 (Appendix B). This being a fine certain (§ 321), payable as above mentioned, half the years' purchase is used, viz. 1·70. The heriot is payable only on admission after death, and therefore one-fourth of the years' purchase has been used (see §§ 300 and 321). The timber has been divided as follows—one-third has been allowed to the tenant for repairs, and the remainder has been equally divided between lord and tenant (§ 323). Quit rent, an annual payment, is valued at 25 years' purchase (§ 322).

333.

334. **Question 2.**—What Amount would you Deduct from the Freehold Value of an Estate in Consideration of a Portion being Copyhold, with the Following Particulars:—Net Annual Value after all Necessary Deductions £200. Fine on Each Admission, 2 Years' Annual Value. Life Aged 29. Quit Rent £1. Timber Value £450, with the Ordinary Restrictions. The Lord has declined to Include Minerals.

335. **Solution.**—

Fine arbitrary (maximum—two events):

£200 at 3 years' purchase (§ 320)		= £600	0 0
Quit rent £1 at 25 years' purchase (§ 322) .		= 25	0 0
Timber	= £450		
Less 10 per cent. for repairs . .	= 45		
	= £405		
½ of £405 to lord (§ 323)		= 202	10 0
		= £827	10 0

336. *Notes on the Question and Solution.*—As in the last case "each admission" is to be taken to mean each admission following both death and alienation, and as the arbitrary fine is of the maximum amount of 2 years' annual value the full 3 years' purchase is used. The 3 years' purchase mentioned is taken from the official scale of compensation (Appendix B).

337. The question does not disclose what buildings, etc., exist, and as there is a good deal of timber, 10 per cent. of its value has been allowed for repairs, and the remainder has been equally divided between lord and tenant, the latter having the usual obstructive powers (see § 323).

Case II.—Joint Tenancy Example.

338. **Question 3.**—Two Copyhold Joint Tenants, aged respectively 35 and 47 and holding Equal Shares, desire to Enfranchise their Tenement, consisting of a House of the Fineable Annual Value of £49, 10s. The Holding is Subject upon Admission after Alienation to a Fine Arbitrary of the Ordinary Maximum Amount, but to only a Fine Certain of £2 upon Admission after Death. The Quit Rent is 10s., and there is no Heriot.

Set out your Calculation of the Maximum Consideration Money which is Contemplated for the Entire Enfranchisement in the Official Scale of Compensation, in the Table of which appears 3·2 Years' Purchase Opposite the Age 35, and 3·6 Years' Purchase Opposite the Age 37.

339. **Solution.**—

Fine arbitrary (maximum—one event):

$£49,10s. \times \frac{2 \cdot 61}{2}$ . . . . . = £64 12 0

Fine certain (one event):

$£2 \times \frac{2 \cdot 61}{2 \times 2}$ . . . . . = 1 6 0

Quit rent 10s. at 25 y. p. . . . . = 12 10 0

Compensation . . . = £78 8 0

340. *Notes on Question and Solution.*—To make the calculation as directed in paragraph 15 of the Official Scale of Compensation issued by the Board of Agriculture (Appendix B), the first step is to ascertain the age of a single life as may be equivalent to the expectation of survivorship of the joint lives, and for this purpose the paragraph advises reference to tables contained in the Succession Duty Act 1853. The same result may be obtained from reference to Inwood's life and interest tables. Thus if we consult the 4 per cent. Northampton table (page 171, Inwood), we find the years' purchase for ages 35 and 45, the nearest we can find to the given ages in question, viz. 35 and 47, = 16·616, and if we turn to the 4 per cent. Northampton single life and interest table (page 138, Inwood), we find that the years' purchase, 16·625, represents a life aged 16. Having thus found that the age of a single life equivalent to the expectation of survivorship of the joint lives is 16 years, we take the multiplier from the official scale of compensation applicable thereto and then proceed as though dealing with the case of a single life.

341. In this case, it will be noted, each fine is payable only in one event. The fine arbitrary being payable on admission after alienation, and the fine certain upon admission after death. The fine arbitrary being of the maximum amount, half the years' purchase, taken from the official scale, has been used in capitalising it. The fine certain being payable in one event, viz. after death only, one-quarter of the years' purchase, taken from the official scale, has been used (§§ 313–321).

The tables in the Succession Duty Act 1853 are very complete, but it is improbable the reader will have the Act, hence the reference to Inwood's tables.

Case III.—Tenants in Common. (See § 286, also Chapter II. § 19.)

342. **Question 4.**—Value as Umpire the Lord's Consideration to be Paid by a Copyholder of a House held by Three Tenants in Common, aged 27, 36, and 50 respectively, holding Equal Shares. The Fineable Annual Value is £69, 10s. Arbitrary Fine Payable on Admission after Alienation being Ordinary Maximum Amount, but Fine Payable on Admission after Death being a Fine Certain of £6. Quit Rent 10s. Heriot £10, Payable on Alienation. Land tax 10s.

343. **Solution.**—

Tenant, Age 27.

Fine Arbitrary (maximum—one event):

One-third of £69, 10s. $\times \frac{2\cdot94}{2}$.	= £34	2	0
Fine certain (one event) £6 $\times \frac{2\cdot94}{2\times2}$ =	4	8	0
Heriot (one event) £10 $\times \frac{2\cdot94}{2\times2}$. =	7	7	0
Quit rent 10s. at 25 years' purchase =	12	10	0
		= £58	7 0

Tenant, Age 36.

Fine Arbitrary (maximum—one event):

One-third of £69, 10s. $\times \frac{3\cdot23}{2}$.	= £37	8	0
Fine certain (one event) £6 $\times \frac{3\cdot23}{2\times2}$ =	4	17	0
Heriot (one event) £10 $\times \frac{3\cdot23}{2\times2}$. =	8	0	0
Quit rent as above . . . =	12	10	0
		= 62	15 0

Brought forward . . = £121 2 0

Tenant, Age 50.

Fine Arbitrary (maximum—one event):

One-third of £69, 10s. $\times \frac{3{\cdot}71}{2}$. = £43 0 0

Fine certain (one event) £6 $\times \frac{3{\cdot}71}{2 \times 2}$ = 5 10 0

Heriot (one event) £10 $\times \frac{3{\cdot}71}{2 \times 2}$. = 9 5 0

Quit rent as above . . . = 12 10 0

= 70 5 0

= £191 7 0

References.—Fine arbitrary, §§ 286, 320; fine certain, § 321; heriot, §§ 300 and 321; quit rent, § 322.

344. *Notes on Solution.*—This is an example of a copyhold held by three tenants in common (§ 286). Each tenant constitutes a separate tenant in regard to his share in the property, and is liable to pay the full fines, heriot, and quit rent. In the case of the arbitrary fine, which depends upon annual value, three separate valuations have been made on the basis of the one-third share, and the years' purchase appropriate to the age. The other items are valued in full.

The fine arbitrary being of the maximum amount and payable on admission after alienation only, half the years' purchase given in the official scale is used (see § 320). The fine certain and the heriot being payable on admission after death only, one-fourth of the years' purchase given in the official scale has been used.

Case IV.—Coparceners. (See § 287, and also Chapter II. § 20.)

345. It is laid down in paragraph 15 of the Scale of Compensation (Appendix B) that the case of coparceners shall be treated similarly to that of tenants in common, and no separate worked example is thought necessary (see § 342).

Miscellaneous Examples.

346. In the case of a copyhold hitherto held by a single person, three persons, ages 25, 30, and 35, will now be admitted and will enjoy the property.

The fine according to the custom is the maximum arbitrary fine payable on death and alienation. There is a fine certain of £5 payable on death, a quit rent of £1, a heriot of £10 payable on admission. The property lets on yearly tenancy (it is house property) at £150 per annum and is subject to tithe rent charge £10 per annum and land tax £3 per annum.

The allowance to be made for repairs to arrive at fineable annual value is to be 10 per cent. on the gross rent of £150.

What will be the admission fines due to the lord

(*a*) If the tenants admitted are joint tenants?

(*b*) If they are tenants in common?

(*c*) If the tenants admitted are coparceners?

What amount of compensation will be due on compulsory enfranchisement immediately after the creation of the before-mentioned tenancies in common and coparcenary?

347. **Solutions.**—Gross rent per annum . = £150
Deduct repairs 10 per cent. on gross . . = £15
Tithe rent charge . . . . . = 10
Quit rent . . . . . = 1
= 26
Fineable annual value . . = £124

348. (*a*) *Admission Fines on Creation of Joint Tenancy.*

Fine Arbitrary (maximum):

First life, full 2 years' fineable annual value . = £248
Second life, ½ that fixed for first life . . = 124
Third life, ½ that fixed for second life . . = 62
= £434
Heriot . . . . . = 10
= £444

(See § 285.)

349. (*b*) *Admission Fines on Creation of Tenancy in Common.*

Fine arbitrary (maximum):

First life	= £82	13	4
Second life	= 82	13	4
Third life	= 82	13	4
	= £248	0	0
Heriot (each pay full heriot of £10) . . .	= 30	0	0
	= £278	0	0

(See § 286.)

350. (*c*) *Fines on Admission of Coparceners.*

Fine arbitrary (maximum):

One fine payable only	= £248	0	0
Heriot	= 10	0	0
	= £258	0	0

(See § 287.)

351. Compensation due to the Lord on Enfranchisement.

Three Tenants in Common.

Age 25.

Fine arbitrary:

$\frac{£124 \times 2{\cdot}88}{3}$. = £119·04

Fine certain:

$\frac{£5 \times 2{\cdot}88}{4}$ . . = 3·60

Heriot:

$\frac{£10 \times 2{\cdot}88}{2}$ . . = 14·40

Quit rent:

£1 at 25 years' purchase . = 25·00

= £162·04

Age 30.

Fine arbitrary:

$\frac{£124 \times 3{\cdot}04}{3}$. = £125·65

Brought forward, .	= £125·65	= £162·04	
Fine certain:			
$\frac{£5 \times 3{\cdot}04}{4}$ . .	= 3·80		
Heriot:			
$\frac{£10 \times 3{\cdot}04}{2}$ . .	= 15·20		
Quit rent:			
£1 × 25 . .	= 25·00		
		= 169·65	
Age 35.			
Fine arbitrary:			
$\frac{£124 \times 3{\cdot}20}{3}$.	= £132·26		
Fine certain:			
$\frac{£5 \times 3{\cdot}20}{4}$ . .	= 4·00		
Heriot:			
$\frac{£10 \times 3{\cdot}20}{2}$ . .	= 16·00		
Quit rent:			
£1 × 25 . .	= 25·00		
		= 177·26	
		= £508·95	= £508 19 0
		Say . .	= £509 0 0

References.—Fine arbitrary, § 320; Fine certain, § 321; Heriot, §§ 300, 321; Quit rent, § 322.

352. Compensation due to Lord on Enfranchisement.

Coparceners.

The official scale directs that this case shall be treated as the case of tenants in common (see §§ 342, 345, and 351 for example).

353. The first part of this question is not concerned with the compensation due to the lord on enfranchisement, but with the amount which he will be entitled to receive if, instead of the property being held by one tenant as hereto-

fore, it is held by three tenants, holding as (*a*) joint tenants, (*b*) tenants in common, or (*c*) coparceners.

Land tax is not deducted in arriving at the fineable annual value (§ 312 (1)).

354. Show the valuer's calculations in an enfranchisement under the following conditions :—

Fine certain manor : fixed fines 4s. per acre and 2s. for every messuage. Fines payable on death and alienation.

Tenant's age 80 years = 4·81 years' purchase.

The property consists of a farmhouse and premises, and 70 acres of land with growing timber valued at £64.

Quit rent £1, 5s. per annum.

Lord's rights to minerals under section 23 reserved.

Lord's rights to timber to be included.

Agreed : that the farmhouse and premises are to be taken as equivalent to five messuages.

Heriot, due on death only, value £2.

Forfeitures 10 per cent.

Solution.—

Fine certain (both events) :

70 × 4s.	= £14	0	0
5 × 2s.	= 0	10	0
	£14	10	0

$\frac{£14,\ 10s. \times 4{\cdot}81}{2}$ . . . . . = £34 17 · 0

Quit rent :

£1, 5s. at 25 years' purchase . . . . = 31 5 0

Heriot :

$\frac{£2 \times 4{\cdot}81}{2 \times 2}$ . . . . . = 2 8 0

Timber	= £64	0	0
Deduct 25 per cent. . .	= 16	0	0
		= 48	0 0
		= **£116**	**10 0**

355. It is assumed in the foregoing workings that the timber belongs to the lord and that he has the right to go

on to the property and cut and cart it away without the tenant's licence. An allowance of 25 per cent. has been made for repairs, and the whole remainder has been given to the lord. (But see §§ 305 and 323).

The annual value of the property not being stated in the question, the 10 per cent. allowance for forfeitures cannot be calculated.

356. A copyholder, aged 32, desires to enfranchise his tenement (consisting of agricultural land with a few buildings thereon), let at £60 per annum, the landlord paying tithe £8 per annum and land tax £1. The value of the timber is £300. The tenement is subject to an arbitrary fine of twice the annual value upon each admission to a quit rent of 7s. and a heriot agreed at £11, both on death of and alienation by the tenant.

Value the enfranchisement consideration in detail from the tenant's point of view.

357. **Solution.**—Rent per annum . = £60 0

Deduct—

Repairs 5 per cent. .	= £3	0
Quit rent . . .	= 0	7
Tithe . . .	= 8	0
	= 11	7
Fineable annual value .		= £48 13 0

Fine arbitrary (maximum—both events):

£48, 13s. × 3·10 . . . . . = £150 16 0

Heriot (both events):

$\frac{£11 \times 3{\cdot}10}{2}$ . . . . . = 17 0 0

Quit rent:

7s. at 25 years' purchase	=	8 15 0
Timber value	= £300	
Deduct repairs 25 per cent. . .	= 75	
	= £225	
If tenant has obstructive rights, allow ½ to lord .	=	112 10 0
		= £289 1 0

358. The question states that the property is agricultural

land with a few buildings thereon, and the timber is worth £300. There is therefore a good quantity of timber and not much to repair; but 25 per cent. has been allowed for repairs, as the question states that the valuation is to be made from the tenant's point of view. No information is given as to whether or not the tenant has the usual obstructive rights: it has been assumed he has.

The other points which may be raised on the question have been dealt with in the notes to previous solutions, and no further reference is necessary.

359. A copyholder, aged 29, wishes to enfranchise his tenement of 100 acres with farmhouse and buildings. The arbitrary fine is of the maximum amount on admission after death, but only 1½ years' annual value on admission after alienation. Rental on yearly tenancy is £200 per annum, the heriot on death or alienation £10.

Value for enfranchisement.

If the consideration is to be a rent charge, what would be the amount?

Give particulars as to power and terms of redemption of rent charge.

360. **Solution.**—

Yearly rent	= £200	0	0
Deduct repairs $\frac{1}{6}$ . . .	= 33	0	0
Fineable annual value	= £167	0	0

Fine arbitrary (maximum after death):

$\frac{£167 \times 3}{2}$ . . . . = £250 10 0

Do. (1½ *years after alienation*):

$\frac{£167 \times 3 \times 3}{2 \times 4}$ . . . . = 187 17 6

= £438 7 6

Heriot (both events):

$\frac{£10 \times 3}{2}$ . . . . . = 15 0 0

= £453 7 6

The rent charge is 4 per cent. on the amount of compensation, or £18, 3s.

361. The tenant can redeem a rent charge on any half-yearly day of payment upon giving 6 months' notice. The purchase money is 25 times the amount of the rent charge. (See section 20, Minute of the Board of Agriculture, Appendix B.)

362. Value the enfranchisement compensation in the case of a house and garden let at £50 per annum on yearly tenancy. The copyholder is aged 29, holding subject to a fine arbitrary of 2 years' value due on every admission, and a quit rent of 10s.

363. **Solution.**—

Rent on yearly tenancy		= £50 0 0
Deduct—		
Repairs 10 per cent. . . .	= £5 0	
Quit rent	= 0 10	
		= 5 10 0
Net annual value . .		= £44 10 0
Fine arbitrary :		
£44, 10s. at 3 years' purchase . . .		= £133 10 0
Quit rent 10s. at 25 years' purchase . . .		= 12 10 0
		= £146 0 0

No allowance has been made for forfeitures in this case.

364. The valuation of copyhold estate, *when it is copyhold which may be enfranchised compulsorily under the Copyhold Act* 1894, proceeds on the lines of a valuation of freehold from which all the expense involved in enfranchisement is deducted (see §§ 294, 308, 327).

CHAPTER X.

HINTS ON EXAMINATION PAPERS.

366. Interpretation of Expressions Used in Examination Papers. 367. Premiums and Renewal Premiums Paid. 368. Improvements Made. 369 Property Taken Over in Dilapidated Condition. 370. Alterations Undertaken. 371. Let on Lease. 372. Net Rental Value. 373. Let on Yearly Tenancy. 374. Short Tenancies. 375. Property Described as Old and Dilapidated. 376. Property Held Subject to a Lease. 377. Will Lease At. 378. Deductions. Ground Rent. Repairs. Annual Allowance. Allowance for Putting in Repair. Insurance. Loss by Empties. Rates and Taxes. Land Tax. Tithe. Allowance for Collection and Management. Method of Calculating Rateable Value where the Rate in the £ on Assessment is Given. 379–384. Capital Deductions. Repairs. Alterations—Cost of. Making Roads. Redemption of Land Tax and Fixed Charges. Rule of Thumb Allowances. 385–388. Suggestions on Various Points. Position of the Purchaser. Net Annual Income to be Multiplied by the Years' Purchase. 389–393. The Purpose for which and the Party for whom the Valuation is Made. Compensation under the Lands Clauses Acts and other Special Circumstances. 394. Basis of Valuation. 395–400. Table on which to Value. Considerations Affecting Questions of Rate. 401. Valuing Land at per Foot Frontage. Per Foot Super. At Ground Rent per Foot Frontage or per Foot Super. 402–403. Properties Subject to Leases at Rentals Below or Above Rack Rent. 404–405. Difference Between Value of Freeholds and Copyholds. 406. Perpetual Leases. Fines Payable at Fixed Intervals—How Dealt With. 407. Method of Averaging during Development. 408. Warning on Use of Life Tables. 409. Allowance for Old Materials. 410. Method of Calculating Unexpired Terms. 411. Marginal Notes. 412. Assumption Permissible and Necessary in Answering Examination Questions not Allowable in Practice.

365. The purpose of the present chapter is—

(*a*) to assist examinees in their interpretation of some of the expressions commonly used in examination papers;

(*b*) to give a general idea of the deductions usually made in arriving at the "net annual income";

(*c*) to deal with a number of points of interest to examinees in particular;

(*d*) to warn readers that much which they may be expected to do in answering examination papers should not be done in practice.

366. **Interpretation of Expressions Commonly Used in Examination Papers.**—The following are a number of phrases or expressions commonly used in valuation papers, and the interpretations which should most usually be placed upon them.

367. **Premiums and Renewal Premiums.**—The statement that a premium was paid on the granting or renewal of a lease is (except of course when the contrary appears) intended to suggest that the amount of premium spread over the term of the lease, usually at 5 per cent., is to be added to the reserved rent to obtain the rental value.

368. **Improvements.**—A similar statement that permanent improvements have been made at a given cost will likewise suggest an increase in rental value; but where the improvements have been carried out by the freeholder the increase in rental value is usually represented by some suitable rate of interest on the outlay, whilst in cases where the work has been undertaken by a leaseholder, especially if holding only for a short term, perhaps 21 years, the increase would usually be represented by the amount expended spread over the term, as in the case of a premium, the inference being that a lessee would only make the outlay if satisfied that the result would be an increase in rental value sufficient to pay not less than 5 per cent. interest and provide the annual contribution to the necessary sinking fund for replacing capital.

Of course there are cases in which lessees lay out money in improving property without reference to annual return, but with the object of fitting the property for some special purpose. In such cases it may be that the annual value is not increased at all. In fact, some lessees and owners, if given a free hand, will often make alterations which detract from value to the ordinary lessee or purchaser.

It is not at all unusual in spreading premiums, or amounts laid out in improvements, over terms of years to use the ordinary table in which interest on investment and reinvestment is calculated at the same rate, but in many cases it is more correct to use the special table giving the rate of interest on investment at 5 per cent., and the interest on reinvestment at 3 per cent., or of course some other rates suitable to the circumstances of the particular case.

369. **Property Taken Over in a Dilapidated Condition.**—When the question states that the lessee is taking over in a dilapidated condition property, which, if in repair, would be of greater annual value than the rent to be reserved, the idea to be conveyed is that the cost of the necessary work should be dealt with in the same way as a premium would be treated, viz. spread over the term of the lease. When the sum involved is a large one an allowance for the loss of rent pending execution of the work should be added and spread over the term with the amount of outlay. The 5 per cent. table would usually be adopted.

370. **Alterations Undertaken by a Lessee.**—Where it is stated that the lessee has undertaken to make alterations which will cost a stated amount, at some future date, it is the present value of that amount (or the amount which, put by at some agreed rate of interest, say 3 per cent., will produce the required sum within the period mentioned) which has to be spread over the term of the lease at, say, 5 per cent.

371. **Let on Lease.**—"Let on lease," no term being mentioned, usually means let on lease for 21 years. "Let on lease" must be distinguished from "Will let on lease." If premises have been let on lease at a low rent, and a premium has been paid, a purchaser of the property would only receive the reserved rent for the term of the lease; but if a property is unlet, but will let on lease at a given rent and secure a premium of stated amount, then the purchaser would receive that premium. There would, however, probably be some loss of rent pending leasing, which

should be allowed for in the form of a capital deduction. However, the mere statement that property will let on lease is not definite: it might be used in reference to a property already let. Examination questions should be clear: unfortunately they are not by any means always so.

372. **Net Rental Value.**—Net rental value usually means the rental which will be obtained on full repairing lease, and not the net annual income, except, of course, where the two are identical. For instance, in the case of a freehold, there would be probably at least some deduction for contingencies to be made from net annual value to arrive at net annual income, whilst in the case of a leasehold the ground rent would also have to be deducted.

373. **Let on Yearly Tenancy.**—"Let on yearly tenancy" should mean let on the ordinary yearly tenancy, or one in which the agreements are those usually entered into by yearly tenants. In making deductions the relationship of landlord and tenant under these circumstances must be borne in mind. The tenant pays all usual tenant's rates and taxes, but does not repair or insure the buildings, the cost of which falls on the landlord. The deductions therefore for average annual outgoings borne by the landlord will usually be for repairs, insurance, contingencies, land tax (if any), tithe rent charge (if any), and in some cases the cost of collection and management.

374. **Let on Short Tenancies.**—In the case of properties described as "let on short tenancies" it may be necessary to bear in mind:—

(*a*) the right of tenants, holding for periods not exceeding three months, to deduct poor rate; also

(*b*) any necessary deductions for outgoings peculiar to the case which can only be gathered from the circumstances of the letting.

It must not be forgotten, in the case of properties let on weekly tenancies, that the landlord usually pays all outgoings, including even water rate. The deductions for

average annual outgoings, therefore, will be those applicable in the case of yearly lettings, and also all local rates, inhabited house duty, and water rate. The cost of collection and management is usually a necessary deduction in the case of this class of property, as it requires a great deal of attention.

375. **Old Property.**—Where property is described as "old," as "old and dilapidated," or as "almost worn out," etc., this will suggest either :—

(*a*) the property should be valued as a cleared site, rather than on the basis of present rental return from land and buildings ;
(*b*) that a sum should be deducted for renovation ;
(*c*) that a percentage larger than that usual in the case of sound properties should be deducted for the average annual cost of repairs and upkeep ;
(*d*) that the property should be valued on a table giving a higher rate of interest on investment than is usual for the class of property when sound ;
(*e*) that provision must be made for a sinking fund to replace the buildings, at a date in the near future ; or,
(*f*) a combination of some of the foregoing methods of meeting the contingency should be made.

The method of dealing with each particular case must be suggested by the circumstances which are disclosed in the question.

376. **Held Subject to a Lease.**—"Held subject to a lease" implies that so long as the lease runs, the receipts from the property will be governed by the rent reserved in the lease. A property may be subject to a lease at a nominal rent : in such a case the purchaser of the property subject to the lease will only receive the nominal rent so long as the lease lasts, and afterwards the full rental value for the term of his reversion.

377. **Property that will Let on Lease at Stated Rental.**—"Will let on lease" at a stated rental signifies

that the rent stated is to be taken as representing the rental value of the property. The phrase is generally used in cases where property is at present held at a low rent, or where it is vacant; the question ought to make the point clear. Where property is not leased an allowance for loss of rent pending a tenant being found may have to be made. Another point which should not be lost sight of in such cases is that there is no lessee liable for the repairs, and consequently any capital outlay necessary will fall on the purchaser.

The following are the average annual deductions most usually required in producing, from the rental paid by the tenant, the net annual income.

378. **Deductions.**—(*a*) When the property is stated to be let on "repairing lease, or "on lease," which usually means repairing lease, the only average annual deduction necessary in finding net annual income, in the case of freehold property, will be, say, 2½ per cent. for contingencies. If it is leasehold property, then the ground rent will also form a deduction.

(*b*) The average annual deductions which are usually made when the rental on yearly tenancy is given are:—Repairs, 10 per cent. to 15 per cent. on a year's rental. One-fifth of a year's rental is in some cases not too much to allow as the average annual deduction for the cost of keeping property in repair. Insurance, 1s. 6d. (minimum) for each £100 insured; loss by empties and contingencies, 5 per cent. on a year's rental. When the property is leasehold, the ground rent must also be deducted.

(*c*) Quarterly tenancies are usually similar to yearly tenancies, so far as the outgoings which fall on the landlord are concerned, but the exact particulars of the letting should be known.

(*d*) In the case of monthly tenancies, they are sometimes

more like yearly tenancies, and sometimes more like weekly tenancies, in the matter of outgoings. The exact conditions of such tenancies should be stated in any examination paper.

(*e*) In the case of properties let on weekly tenancies, in addition to the foregoing deductions all local rates, inhabited house duty, and the water rate will have to be deducted. Local rates may be taken at from 7s. to 9s. in the £ on the rateable value, unless definite particulars are given. The inhabited house duty is from 3d. to 9d. (see § 175) in the £ on the gross value, and the water rate is 5 per cent. on the rateable value.

(*f*) In the case of valuing blocks of properties, a deduction of 5 per cent. for collection and management is often made. Where land tax is payable the amount of the tax should be deducted unless the tenant has expressly undertaken to pay it. Tithe rent charge is payable by the owner and (if any) must be deducted.

(*g*) The above are usual deductions; if there are any special outgoings borne by the landlord, they must of course be deducted also.

(*h*) In some cases the amount of rates and taxes is not directly stated, but the amount in the £—7s. in the £, for instance—is given. This means 7s. in the £ on the rateable value, which may not be stated, and to find which the rates and taxes, so far an unknown quantity, must be deducted. The rateable value when the rates are 7s. in the £ may easily be calculated by the proportion—

27 : 20 : : the rateable value plus rates and taxes : rateable value.

If the rate in the £ is 6s., then the proportion will be

26 : 20 : : rateable value plus rates and taxes : rateable value, and so on.

Make all deductions necessary for finding rateable value except rates and taxes, and then, by the foregoing rule, find the rateable value. Finally, from this rateable value calculate the amount of the rates and taxes, and deduct the same accordingly. But see also Chapter XI. § 472.

379. **Capital Deductions.**—The necessity for capital deductions must not be overlooked. The most likely items are repairs, cost of making roads, redemption of land tax.

380. Where property is stated as being dilapidated, no particulars being given as to the cost of reinstatement, a year's rent is usually allowed as a capital deduction.

381. For cost of making roads allow £1 for each foot frontage to the road.

382. For redemption of land tax allow 30 years' purchase of the land tax, plus 25 per cent. of the amount so found for expenses.

383. For any fixed charges allow the value of an annuity to replace the charge, and law and other costs involved.

384. For making alterations necessary to comply with modern laws and byelaws, redrainage, etc., the cost of the work must of course be allowed, and possibly an allowance for the loss of rent which would be involved pending the execution of the works.

385. **Suggestions to Examinees on Various Points.**—There are a number of suggestions on lines rather different from the foregoing which may be very helpful to examinees.

386. In considering valuation questions, place yourself in the position of the purchaser, and ask yourself the question—If I were purchasing this property what should I receive per annum; how much should I have to pay away before I could regard the balance as net income; how long should I continue to enjoy that net annual income; what rate of interest ought I to have for my money on such an investment; and, if it is a terminable estate, at what rate of interest could I provide a sinking fund to replace capital?

387. It is not here suggested that valuations are always

to be made from the purchaser's point of view, usually, for examination purposes, the umpire's point of view is the correct one, but if students would habituate themselves to consider the questions as suggested, a great many of the mistakes commonly made would be avoided.

388. It may be advisable to lay stress on the fact once again that it is the net annual income which has to be multiplied by the years' purchase, and until the net annual income has been found the tables cannot be applied.

389. **Purpose for which and the Party for whom the Valuation is made. Compensation under the Lands Clauses Acts and other Special Circumstances.**—The purpose for which, and the parties for whom, the valuation is required must not be lost sight of when the question gives information on that point. For instance, a question may state that the valuation is required for the purpose of advising a company with compulsory powers as to the probable cost of acquiring property for the purposes of the undertaking. Here, the valuation being for the purpose of advising on the probable cost, all the interests would have to be valued—freeholds, leaseholds, underleases, even payments to yearly tenants in some cases; and in the case of copyhold property the freehold value would be required, because the company would have to enfranchise. If, however, details were necessary, the copyholder's interest would have to be valued separately, and the cost of enfranchisement would have to be calculated. The cost of enfranchisement would be made up of the following items: the compensation due to the lord of the manor, the steward's fees, the valuer's fees and possibly solicitor's fees, the payments to be made to the Board of Agriculture, and stamps and petty expenses.

390. Again, there would also be the trade claims, and the probable costs and expenses, which would all be part of the cost of purchasing.

391. As further example, the question might ask directly, or by inference, for the value of a property from the vendor's

or from the purchaser's point of view, which fact would, of course, have to be borne in mind.

392. In the case of compensation for land taken under the Lands Clauses Acts, do not forget the 10 per cent. addition; and remember it is calculated on the value of the real property only, not on the whole claim. Remember, too, that no such addition can be made in claims under several of the public statutes.

393. Or the question might require advice as to the amount which might be advanced by way of mortgage—another case in which it would be most important to keep in mind the purpose of the valuation. For examination purposes you would probably advise the loan of two-thirds of a safe value.

What has been said will be sufficient to lay stress on the importance of keeping the purpose of the valuation before the mind (see Chapters IX. and XII.).

394. **Basis of Value.**—The basis of the valuation is a point to which we may with profit direct our attention. There are many questions set in which the particulars given are sufficient to enable a valuation to be made in one of several ways. For instance, either on the basis of the rental the property would secure as a vacant site, or on the rental value arising from the property as it stands; and then, often, the purpose for which the valuation is required will enable us to come to a decision as to which basis should be adopted. Take a case of compulsory purchase, for instance. The owner is entitled to be compensated for all he loses by losing the property, and there could be no doubt about the propriety of taking the basis which gives the result most favourable to the vendor. The question of basis often arises in one form or another, and must not be despised.

395. **Table on which to Value.**—Then there is the all-important question as to the table on which property should be valued, or the rate of interest to be allowed on investment and reinvestment.

Some sort of a rough guide may be given, and will be

found in the table (Chapter VI. § 181), but a great amount of discrimination in each particular case is necessary.

For examination purposes, in ordinary circumstances use the rates of interest suggested in the table given: in special circumstances vary the rate to meet them. The following suggestions should prove useful to examinees in this connection.

396. When a property is subject to a lease at a low rent, for example, property of the rental value of £120 per annum leased or subleased at £80 per annum, it may be valued at a rather lower rate during the period it is leased at the low rental (say ½ per cent. to 1 per cent. below what would be taken if let at full rental), because the rent is particularly well secured.

397. When the ground rent is large proportionately to the rack rent, that is a depreciatory incident in connection with the property in the lease, which justifies a higher rate. In the same circumstances, looking at the matter from the point of view of the value of the ground rent, it indicates that the ground rent is not so well secured, and therefore would not sell except to pay a better rate of interest than that accepted in the case of more amply secured rents.

398. A ground rent may be secured on very old property, and in that case, unless the site is suitable for a superior class of building and will let readily, there is an insecurity about the investment which will justify an increased rate.

399. The kind or class of property securing ground rents will affect the question of value. Who would give the same number of years' purchase for a ground rent, especially a ground rent of an awkwardly large amount, secured upon flats, as for a ground rent of moderate size amply secured upon first-class residential or shop property? There are also the questions of district, demand, and the like.

400. The object of this chapter is not to go fully into all the shades of differences in various cases—practically inexhaustible—which would influence us in fixing the rate of interest on which to value property, but rather to point out

to the student that such fine shades of difference exist, to give examples sufficient to illustrate the points, and then to leave it to his intelligence to make a reasonable allowance under all the circumstances of each individual case.

401. **Valuing Land at per Foot Frontage, or at per Foot Super, or on the Basis of a Ground Rent per Foot Frontage or per Foot Super.**—It may seem an unnecessary injunction to bid the student be careful to distinguish between the foregoing, but it is no uncommon thing for examinees, through inattention to the question, to confuse them, and consequently to calculate on a wrong basis, with the result, of course, that very erroneous answers are given. With proper attention there cannot be any difficulty. It is simply a matter of calculating the value of the property according to area or frontage at a stated price per unit, or of calculating the annual return at the stated ground rent per foot frontage or per foot super and then capitalising it. Do not forget that valuations on the basis of the ground rent which may be secured must not be regarded as synonymous with the case of secured ground rents. A higher rate of interest should be allowed.

402. **Properties Subject to Leases at Rentals below or above full Rental Value.**—Where a property is subject to a lease at a rent below full rental value, the rent reserved by the lease will be more or less secure in proportion as the rental value is in excess of the reserved rent. Thus if A buys a property subject to a lease for 10 years at £50 per annum, the full rental value being £100 per annum, the £50 per annum for 10 years is very well secured, and, as already pointed out, a lower rate of interest on investment might therefore be adopted in capitalising that item. The reversion after the term, 10 years, to the full rental value of £100 per annum, not being so well secured, would be valued at a higher rate.

403. Where a property is stated to be let at a rental above full annual value the property cannot be valued on the basis of the reserved rent, as, even in the case of a lease, the

property cannot be considered as security for the payment of more than its proper rental value. The only security for the excess rental in such cases is the personal responsibility of the lessee. In such cases the valuation should be made on the basis of annual value, not on the basis of the reserved rent. It is a separate question what the personal guarantee of the lessee may be worth.

404. **Copyhold Property.**—Since nearly all copyhold property, except that held for life, lives, or years, without the right of renewal, may be compulsorily enfranchised under the Copyhold Act 1894, the difference in value between freehold and copyhold is usually the cost of enfranchisement, viz., the compensation to be paid to the lord, the steward's fees, fees payable to the Board of Agriculture, fees of valuers and solicitors, and the petty expenses and stamps, etc. (**Copyhold Enfranchisement** is dealt with in Chapter IX.)

405. In the case of a valuation question asking for the probable cost of purchase by a company exercising compulsory powers, in which copyhold property is involved, the freehold value will usually be what is required, since the company would be bound to enfranchise (see section 96 of Lands Clauses Consolidated Act 1845), and therefore there will be no need to go into the question of the cost of the lord's compensation at all, unless the copyholder's interest has to be given separately. In such cases simply value the property as freehold, and add in the expenses involved in enfranchising, viz., the steward's fees, and other expenses already mentioned.

406. **Perpetual Leases. Fines Payable at Fixed Intervals.**—In the case of some properties, some corporation leases for instance, the property has been granted on condition that the lease shall be renewable in perpetuity subject to the lessee observing and performing the covenants, and on payment of a fixed fine at regular stated intervals, called fine intervals.

Questions involving the point are often included in ex-

amination papers. In such cases the property to be valued is practically as good as freehold as regards durability, since it is renewable in perpetuity. In such cases the value in perpetuity may be calculated first, although possibly a rather higher table than that which would be used in valuing freehold of similar class would be employed. From that value must be deducted a sum representing the amount which, put by at some suitable rate of interest, will produce the fine, within each fine interval, in compound interest only, leaving the capital untouched to accumulate for future fines. Where it is stated in the question that part of one of the fine intervals has elapsed at the supposed time of valuation, as for instance by the addition "the fine was last paid 7 years ago" in the case of a fine payable every 14 years, the sum to be deducted will be made up of two amounts, viz. :—

(*a*) The amount which, if put by at the time of valuation, will amount, capital and compound interest, to the sum required for the fine, by the end of the partly expired interval; and

(*b*) The amount which, if put by at the time of valuation, will amount, capital and compound interest, by the end of the partly expired interval, to that sum which will in future produce the amount of the required fine in compound interest only, leaving capital untouched to accumulate for future fines.

407. **Averaging.**—It is very common in examination papers to find questions in which it is stated that freehold land will become worth a certain ground rent within a stated number of years, and that a certain stated period must be allowed for development, and for securing the rents. In such cases an average rent may be taken over the period occupied by development.

For instance, if the question states that the estate can be let at a ground rent of £500 per annum in 10 years' time, but that it will take 5 years to develop the property and secure the rents, we may assume that the income for

the first year, after 10 years, will be £100; the income for the second year, after 10 years, will be £200; the income for the third year, after 10 years, will be £300; the income for the fourth year, after 10 years, will be £400; and the income for the fifth year, after 10 years, will be £500. This totals £1500 divided by 5, the number of years of development, gives an average annual rental income during the 5 years of £300. According to this, an average of £300 per annum for 5 years, after 10 years, and £500 in perpetuity, after 15 years, might be taken; or we might take £100 per annum for 1 year, after 11 years, £200 per annum for 1 year, after 12 years, £300 per annum for 1 year, after 13 years, £400 per annum for 1 year, after 14 years, and £500 in perpetuity, after 15 years. The latter would seem the more correct method, but rather laborious; and time counts in examinations.

During the unsettled period perhaps 1 per cent. additional interest on investment might be required: value (say) on $4\frac{1}{2}$ per cent. during the unsettled period, and $3\frac{1}{2}$ per cent. in perpetuity, after full development. These rates depend on the quality of the property. The suggestion is that a rather higher rate should be adopted during the unsettled period.

408. **Life Tables.**—The valuation of life interests is simple enough, and the combined mortality and interest tables are used in a manner similar to the other valuation tables (see Chapter III.).

For the purpose of this chapter, all that is needed is to urge the importance of students being careful to understand the nature of the interest they are valuing; and to distinguish between interest held during the joint continuance of lives, and those which continue so long as either of two or more persons live.

The examinee must also be careful to distinguish between estates in interest and estates in reversion.

409. **Old Materials.**—In some cases an allowance may be made for the materials of old buildings to be cleared, when valuing covered land as a building site. No rule can be

given for fixing the amount. It would necessarily be comparatively small. In practice, when the brickwork is in cement, the value of the bricks does not pay for clearing; but where the brickwork is in mortar, and the bricks are good and sound, there may be something to credit.

The presence of oak panelling, fine old mantels, staircases, and ornaments which can be removed without damage, valuable fittings, and so on would of course be taken into account, but such would probably be removed and sold before the housebreakers came on the scene.

410. **Calculating Unexpired Terms.**—With reference to the unexpired terms in leases, given the date from which the period is to be computed, and the period, there can of course be no difficulty in calculating the length of the unexpired term at any particular date. A regular way, however, of noting the calculation will add neatness to answers in examination papers, and will also often prevent mistakes. The following is probably as good as any, and is best shown by means of a worked example :—

Suppose the question is "What is the unexpired term in a lease granted for 99¼ years, computed from 29th September 1863, on the 24th June 1906?"

From 29th September 1863 . .	= 1862¾
Term granted, years	= 99¼
	= 1962
Date of computation 24th June 1906 .	= 1905½
Unexpired term on 24th June 1906 .	= **56½ years.**

411. **Marginal Notes.**—In any case in which an examinee is uncertain as to the intention of a question, or has decided to take a certain course where there is more than one open to him, or in any other instance in which the circumstances seem to require it, a marginal note should be made explaining the point involved.

Such notes should always be brief and to the point, and

should never be employed except where really necessary; unwise notes may do more harm than good.

412. **The Distinction between Working Questions in Examination and Valuation in Practice.**—You have been advised in this chapter to infer from given statements made in examination questions certain facts, and to work out your valuations on those assumptions. For example, the fact that a premium has been paid is to suggest an addition to the reserved rent of its annual equivalent in finding annual value; where additions have been made to property there is the assumption that the rental value must be considered to have been increased thereby to a stated extent, and so on, and so on. This is necessary because in valuations on paper there is no alternative to the examiner but to give particulars carrying inference which the examinee is to understand, and accept as fact.

But in practice the matter is very different. The fact that a lessee paid a premium is all very well as information, but the question of annual value cannot be determined from such information alone. The property may have improved or deteriorated since he did so, even if the premium paid was correct at the time; alterations and additions may be made to the property which suit it for a particular lessee, but the effect may even be to depreciate the property for the general occupier.

It is not necessary to enlarge on these lines; all that is needed is to make it clear that what is advisable in the case of examination papers, because of the exigencies of circumstances, should not be confused with what is allowable in practice.

CHAPTER XI.

ASSESSMENTS FOR RATING PURPOSES.

413. General Observations. 414. Rating—Brief Introduction. 415. Origin of Compulsory Rates. 416. The Rating Authority, the Property to be Assessed, and the Party to be Charged 417. The Measure of Liability. 418. Exemption of Personal Property. 419. Present Position. The Poor Law Relief Act as Amended still the Basis. 420. The Rating Act 1874. Addition to the Rateable Hereditaments mentioned in the Original Statute. 421. The Advertising Stations (Rating) Act 1889. 422. Classes of Property which have come into Existence since 1601. 423. When Rates are Payable, and who is Liable. General Test of Rateability. 424. Exceptions to the General Rule of Assessability and Liability. The City of London Acts. 425. Exceptions to the General Rule that the Occupier is the Party Liable to Pay the Rates. Property Let as Foreign Ambassadors' Residences. 426. Rating Owners under the Representation of the People Act 1867. 427. Rating of Owners of Small Properties under the Poor Rate Assessment and Collection Act 1869. 428. Inclusion of Rates, other than the Poor Rate, under the Municipal Corporation Acts. 429. Under the Public Health Acts. 430. Cases in which Occupiers may Deduct Rates. 431–435. Exemptions—Absolute, Conditional, and Partial. 436. Summary

438. Procedure: General Observations. 439. Preparation, Correction, and Confirmation of Valuation Lists. 440. Procedure Outside the Metropolis: Statutes and Definitions. 441. Value on which the Rates are Calculated. 442. The Usual Terms of Yearly Tenancy and Gross Estimated Rental Compared. 443. Net Annual Value—How arrived at. 444. Gross Estimated Rental—How arrived at. 445. Construction of the Phrase "From Year to Year." 446. Valuation List—Whom prepared by. 447. Objection by Ratepayer. 448. Supplemental Valuation List. 449. Assessment—Procedure in. 450. Procedure within the Metropolis: Statute and Definitions. 451. Basis on which Rates are Calculated. 452. Valuation Lists—Whom prepared by. 453. Rateable Value—How Calculated. 454. Maximum Deductions—Table of. 455. The Three Valuations Required by the Valuation (Metropolis) Act 1869. 456. Ratepayer's Right of Objection. 457. Dates. Preparation and Confirmation of Valuation Lists, Objections and Appeals.

458. Assessment: Criterion of Annual Value. 459. The Hypothetical Tenant. 460. Relationship of Rent Paid to Rental Value. 461. Cases in which Rent Paid does not Represent Annual Value. 462. Special Cases. 463. Annual Values—How Found. 464. Particulars Useful to the

Valuer. 465. Basis Compared. 466. Contractor's Theory—Application of. 467. Value of Buildings as Distinct from Cost of Erection. 468. Percentages on Capital Value to be taken as Representing Annual Value. 469. Buildings—How Valued. 470. Fixtures and Machinery. 471. Assessments on the Basis of Profits. 472. Tenant's Share. 473. Rateable from Rateable Plus Rates or Gross Plus Rates—How Calculated. 474. The Parochial Principle and the Mileage System. 475. Contributive Value. 476. Rating of Mines, Cemeteries, and Gravel Pits. 477. Rating of Land used for a Plantation, or a Wood, or for the Growth of Saleable Underwood and not Subject to any Right of Common. 478. Rating of Rights of Fowling, Shooting, or Taking, or Killing Game or Rabbits, and of Fishing, when Severed from the Occupation of Land. 479. The Resolutions of the London Rating Authorities. 480. Examples. 481. Property Let on Weekly Tenancy. 489. Property Let on Yearly Tenancy. 491. Property Let on Three Years' Agreement. 494. Property Let on Repairing Lease. 498. Property Leased at Low Rental. 501. Row of Similar Houses. 504. Assessment on Contractors' Theory. 508. Advertising Stations. 511. Flats. 515. Fixtures and Machinery. 516. Monopolies, Railways, Gas, Water, Electric Light, and other Undertakings. 519. Licensed Premises. 523. Licensed Property on Basis of Profits.

413. **General Observations.**—The present chapter deals with the assessment of annual value for rating purposes. The subject of rating, or parochial assessment, can only be dealt with suitably in a considerable work devoted entirely to it. It would, however, be difficult to convey any clear idea of this branch of the valuer's work without some preliminary explanation of at least the basis and incidence of rating.

Whilst, therefore, it is neither possible nor necessary to deal fully with the subject of rating or parochial assessment it will greatly clear the way for what follows, and assist an intelligent appreciation of the points involved, if an outline is given. Such an outline as that which it is proposed to give will be found much more helpful for the purpose in view than an exhaustive work on the law of rating, which is necessarily too long and too technical for the purpose.

Before going into any detail, it will be well to point out that, speaking generally and subject to qualification, except so far as aided by imperial taxes or relieved by the revenues received from corporate properties and municipal undertakings, the expenses of all local administration are borne by rates collected from the occupiers of land, (land, of course,

includes buildings); that a beneficial occupation is the test of rateability; that the annual rental value of the premises occupied is the basis of what is called rateable value—a statutable value on which the rate demandable is to be calculated; and that the amount actually payable is so much in each £ rateable value, the rate per £ depending, of course, upon the sum necessary to meet the expenditure for the period concerned, and the total rateable value of the whole property within the area involved.

Although there are many other items of local expenditure besides those relating to the relief of the poor, all such items are similarly met by local rates almost always assessed and collected on the same basis as the poor rate, and therefore what is said about the basis and incidence of poor rate may, with exception, be regarded as generally applying to the case of other rates also.

When we speak of annual values for rating purposes we refer to the statutory annual values on which the rates are calculated. Later on it will be shown that two values have to be found for each property, but that need not be considered in detail now.

Every single rateable property in each rating area is assessed, and records of the assessments, or "valuation lists," are prepared by the authorities, and each occupier is called upon to pay rates on the basis of those assessments. This will be more fully dealt with when discussing the *procedure* in rating.

414. **Rating—Brief Introduction.**—It is unlikely that any one will read this book who has not heard of rates and taxes, but it may be that many will read it who have never made an inquiry as to when and how the liability to compulsory rates arose, by whom the rates are payable, who are the authorities able to enforce payment, whence they derive their powers, how those powers may be exercised, the basis upon which individual properties are assessed, the way in which the amount to be demanded is arrived at, and other like considerations.

Everyone who thinks about the matter will recognise that the liability can have arisen in one way only, viz. under certain Acts of Parliament which constituted the rating authorities, defined the parties who should be liable to pay the rates, laid down the basis upon and circumstances under which such rates should be levied, specified the procedure to be followed in making such assessments, and in enforcing the payment of rates, and so on. It is to those who have not inquired into such questions that the earlier part of this chapter will be especially useful as an introduction to that which follows.

It may clear the ground if we note here that there are two sets of Acts, one laying down the *basis of rating*, and the other setting out the *procedure to be followed.*

415. **Origin of Compulsory Rates.**—As already suggested, the levy of compulsory rates necessarily arose and is maintained under the provisions of Acts of Parliament; and although there was some measure of compulsion exercised by the bishops and justices earlier, we may look upon the Poor Law Relief Act 43 Elizabeth 1601 as the first statute to provide for systematic compulsory rating for the relief of the poor.

416. **The Rating Authority, the Property to be Assessed, and the Party to be Charged.**—The Poor Law Relief Act provided for the appointment of "overseers" who were given power, with the consent of the justices, to raise money in competent sums for the relief of the poor by the taxation of every inhabitant, parson, vicar, and other and every occupier of land, houses, tithes, impropriate and propriations of tithes, coal mines, or saleable underwoods in the area or parish for which they were appointed. Under the above Act every one was liable to contribute either as *inhabitant* or as an *occupier* of land, or, of course, both as inhabitant and as occupier, and consequently both *real* and *personal* property was held rateable.

417. **The Measure of Liability.**—The extent of the liability to contribute was to be measured by the ability

of the contributor as evidenced by his real and personal property in the parish.

418. **Exemption of Personal Property.**—Personal property, however, was never generally rated, because of the great difficulty experienced in applying the provisions of the Act to it, and finally it was relieved by the Poor Rate Exemption Act 1840, which provided that inhabitants should not be rated as such. Consequently they became rateable only as occupiers, and contributed only on the basis of rateable occupation.

419. **Present Position. The Poor Law Relief Act as Amended still the Basis.**—The Poor Law Relief Act, as amended by the Poor Rate Exemption Act, is still in force and forms the basis of our rating; and other Statutes have been passed which directly or indirectly add to the rateable hereditaments mentioned in the earlier Statute, or at least more clearly define the classes of property to be assessed and the persons who are liable to pay the rates. These Acts are The Rating Act 1874 and the Advertising Stations (Rating) Act 1889.

420. **The Rating Act 1874. Addition to the Rateable Hereditaments mentioned in the Original Statute.**—This Act added to the rateable hereditaments mentioned in the Act of 1601 (*a*) all mines (the Act of Elizabeth only mentioned coal mines); (*b*) sporting rights severed from the occupation of the land (the Act of 1601 as amended only extended to occupiers of land and did not render liable any one merely enjoying the sporting or the owners who let them apart from the land; (*c*) woods and plantations and lands used for the growth of saleable underwood not subject to rights of common (the Act of 1601 only extended to lands used for the growth of saleable underwood).

421. **The Advertising Stations (Rating) Act 1889.**—On the ground of an occupation of land being involved, advertising stations had been rated prior to the passing of this Act, but there had been considerable doubt as to who should be rated and as to the basis of assessment. This

Act clearly fixed the liability for the rates in respect of them, and laid down a basis of assessment.

Primarily it is the person permitting the user who is liable to pay the rates on advertising stations, but the owner of land, viz. the person receiving or entitled to receive the rack rent, will become liable to pay the rates on advertising stations if the person permitting the same to be so used cannot be ascertained. In the case of properties otherwise occupied being also used as advertising stations, the rateable value will take into account the enhancement attributable to the advertising station. A separate assessment of the advertising station is not contemplated by the Statute, but is, in most cases, made, and that being so, in the event of the property becoming unoccupied the owner will be liable to pay rates on the station only instead of on the whole property, as would otherwise be the case.

422. **Classes of Property which have come into Existence since 1601.**—A great many undertakings not thought of in the time of Elizabeth have, we all know, since sprung into existence, but new Statutes to bring them within the pale of rateable hereditament have not been necessary, because the occupation of the land involved in connection with them is sufficient to render them liable.

423. **When Rates are Payable, and who is Liable. General Test of Rateability.**—Rates are usually payable only on occupied property, and the occupier is the person liable to pay, but there are exceptions to this rule, as pointed out in the following paragraphs.

424. **Exceptions to the General Rule of Assessability and Liability. The City of London Sewers Act 1848 and the City of London (Union of Parishes) Act 1909.**—Under these Acts the owners of vacant property in the city of London may be rated to half the general rate. This is a variation of both the general rules that property is only rateable when in occupation and that the occupier is the party liable.

425. **Exceptions to the General Rule that the Occupier**

is the Party Liable to Pay the Rates. Property Let as Foreign Ambassadors' Residences.—To meet the circumstances that foreign ambassadors and their suites cannot be called upon to pay rates, in some places special Statutes have been obtained making the owners of property let as foreign ambassadors' residences liable to pay the rates. This is not general. It is usual for the Government to pay the rates in such cases. This is an exceptional case, but so far as it goes is a variation of the rule that the occupier is the party liable.

426. **Rating of Owners under the Representation of the People Act 1867.**—The Representation of the People Act 1867 provided that in the case of dwelling-houses and tenements situated in a parish which is either wholly or partly within a borough, and which are wholly let out in apartments or lodgings not separately rated, the owner of such dwelling-houses or tenements shall be rated in respect thereof.

The words "let out in apartments or lodgings" do not confine the rating of owners to cases in which they occupy part of the house or exercise control over it, but extend to cases of what we should usually speak of as property let out in separate tenements, unless there is a structural severance of the various sets of rooms such as one would find in a building erected for the express purpose of separate occupation. The owner is not entitled to any rebate.

427. **Rating of Owners of Small Properties under the Poor Rate Assessment and Collection Act 1869.**—The owner of dwelling-houses instead of the occupiers may, by order of the authorities, be rated only in respect of the poor rate if the property is in the city, or, in respect to the general rate, if the property is in London, in the case of properties the rateable values of which do not exceed

£20, if the hereditament is situated within the metropolis;

£13, if situated in any parish wholly or partly within the borough of Liverpool;

£10, if situated in any parish wholly or partly within the city of Manchester, or borough of Birmingham; or £8, if situated elsewhere.

In this case the owner is entitled to a rebate of 15 per cent. on the amount of the rates.

If, on being ordered to pay the rates, the owner elects to enter into an agreement to pay for a period not less than 1 year, whether the property is occupied or not, the authorities shall rate such owner accordingly and allow a further abatement not exceeding 15 per cent.

428. **Inclusion of Rates, other than the Poor Rate, under the Municipal Corporation Acts.**—Where an order has been made, it is to be deemed to include a borough rate as well as the poor rate.

429. **Under the Public Health Act 1875.**—The general district rate in urban parishes may similarly be collected from the owner where the rateable value of the premises does not exceed £10, or the premises are let on weekly or monthly tenancies, where the premises are let in separate apartments, or the rents become payable or are collected at shorter periods than quarterly. In such cases the owner must be assessed on not less than two-thirds, nor more than four-fifths of the net annual value, or at one-half such annual value if the rates are paid whether the property is let or unlet.

430. **Cases in which Occupiers may Deduct Rates.**—A private improvement rate (a rate levied under the Public Health Act 1875 over a certain part of a district or even on a separate property, to meet the cost of improvements benefiting that area or property) is payable in the first instance by the occupier, but unless the nature of his tenancy agreement precludes his doing so, he is entitled to deduct part of it on paying his rent in the following proportion: if the property is held at a rack rent he may deduct three-fourths of the rate; if he holds at less than the rack rent then he is entitled to deduct only the proportion of three-fourths of the tax that the rent paid bears to the

rack rent. If the landlord is himself a lessee with less than 20 years unexpired in his lease, and he has subleased the property, he in turn is entitled to deduct from the rent paid by him such proportion of the allowance properly made to his tenant as the rent payable by him bears to the rent payable to him. This rule applies to all successive landlords and tenants. An owner is liable to pay private improvement rate, if any, if the property on which it is charged is unoccupied.

Failing express agreement to the contrary, an occupier for a term not exceeding three months is entitled to deduct, when paying his rent, the amount of any poor rate paid by him in respect of the occupation of the property for which such rent is paid.

Any rates assessed on the owner will of course have to be paid by him, unless the tenancy agreement provides that the occupier shall discharge all rates whether assessed on owner or occupier, and just how the tenancy agreement is framed may determine whether the liability for all rates newly imposed after the date of the commencement of the tenancy will be borne by the tenant or not.

The imperial taxes are not here dealt with, but it may not be out of place to mention that the tenant pays both the inhabited house duty and the property tax in the first instance, and that he is entitled to deduct the property tax paid by him, when paying rent, any agreement to the contrary notwithstanding. It may also be noted that where land tax is payable it is collected in the first instance from the tenant, but unless he has expressly contracted to pay it, he is entitled to deduct it when paying his rent.

Since the Tithe Rent Charge Recovery Act 1891 a tenant cannot even by express agreement be made liable for tithe rent charge, although those who contracted to pay it prior to 1891 must pay the amount involved in the form of additional rent.

431. **Exemptions. (a) Absolute. (b) Conditional. (c) Partial.**—As well as the general exemption of personal property under the Poor Rate Exemption Act, certain individual properties are exempted either absolutely, conditionally, or partially.

432. **The Chief Absolute Exemptions.**—Property which is not capable of beneficial occupation, Crown and Government property, offices, buildings, police stations, assize courts, and property occupied by officials of the Crown in the exercise of the office are exempt. Instead of such properties being assessed by the local rating authorities in the usual way, the Government contributes to the rates on the basis of a valuation made by the treasury valuer. Volunteers and territorials are servants of the Crown, so as to entitle them to the exemption. Some barracks are rateable or partially rateable. The property of the Post Office is rateable on the basis of the value prior to acquisition by the Government, but the statute so providing (the Telegraph Act 1869) does not set up any machinery by which the Postmaster can be compelled to pay. Churches and chapels of the Church of England and other certified churches and chapels are exempt so far as they are exclusively used for religious worship, or for Sunday or charity school purposes.

433. **The Chief Conditional Exemptions.** — Certified literary, scientific, and fine art societies are exempt. This exemption is put under the head of conditional exemptions, because it is subject to a certificate being obtained from the Chief Registrar of Friendly Societies, which can only be granted where certain circumstances, which need not be detailed here, obtain. Sunday and Ragged Schools may be exempt at the option of the local rating authorities. Voluntary schools, which include schools maintained or partly maintained by the local authorities, are exempt, although schools provided by the same authorities do not escape payment. It is just the conditions under which the schools are held which entitle them to exemption or leave them rateable.

434. **The Chief Partial Exemptions.**—Burial grounds and cemeteries acquired under the Burial Act 1855 are partially exempted. They cannot be rated on an assessment exceeding that in force at the time of purchase of the land. But this case must not be confused with cemeteries belonging to companies, nor with cemeteries belonging to District Councils under the Public Health Act 1879, in both of which cases there is no exemption. Nor must burial grounds under the Burial Act 1855 be confused with the case of churchyards, which are entirely exempt.

Agricultural land is only liable to half rate under the Agricultural Rates Act, to one-fourth the general district rate under the Public Health Acts and the Metropolis Management Act, and to one-third the rate under the Lighting and Watching Act and the Public Libraries Acts.

The three-fourths exemption under the Public Health Act extends also to tithe, tithe commutation rent charge, woodlands, market gardens, nursery grounds, orchards, allotments, and land covered with water, canals, towing paths, and public railways. The exemption under the Public Libraries Act extends to agricultural land, arable meadow, pasture, woodlands, market gardens, and nursery grounds.

The exemption of three-fourths the rate under the Metropolis Management Act applies to land used as arable meadow, pasture, woodland, orchard, market gardens, hop gardens, and land used for the cultivation of herbs, flowers, and fruit.

435. The question of exemption is a somewhat complicated one, and anything more than the brief notes given, if less than a minute detailed and precise treatise, would not serve any useful purpose.

436. **Summary of §§ 413 to 435.**—Systematic compulsory rating for the relief of the poor originated with the Poor Relief Act 1601 : that Act provided for the rating of personal as well as real property. It was found difficult to rate personal property, and it was therefore generally neglected and ultimately it was relieved by the Poor Rate

Exemption Act 1840. Henceforth the beneficial occupation of land became the sole ground for rating. The Poor Law Relief Act expressly mentioned the classes of property which were to be the subject of assessment, and the definition not being sufficiently extensive the Rating Act 1874 was passed adding to the rateable hereditaments mentioned in the earlier Acts, all mines, woods, and plantations and land used for the growth of saleable underwood not subject to right of common, and sporting rights when severed from the occupation of the land; whilst another statute, the Advertising Stations (Rating) Act 1889, dealt with the assessment of advertising stations. The Acts mentioned laid down the basis of rating; but the procedure in assessment, both outside and inside London, is governed by other Acts not so far discussed.

437. We find that the general effect of the Acts dealt with, taken together, was to confine rateability to real property, to make rates payable only in respect of occupied property, and to render the occupier the person liable to pay the rates. Then we discover a number of exceptions to the general rules, and find that, by the City of London Acts 1848 and 1907, rates are payable in respect of unoccupied property situated in the City of London, to the extent of one-half the general rate, the payment of which necessarily falls upon the owner. We also notice that in some rare cases the owner is assessed in respect of property occupied by foreign ambassadors who are not liable. Further, we observe that in the case of small properties within a borough let out in separate apartments, the landlord may be rated instead of the occupier, under the Representation of the People Act 1867, without any rebate being allowed him; and that in cases to which that Act does not apply the owner may be rated instead of the occupier under the Poor Rate Assessment and Collection Act 1869, but that in such cases the owner is entitled to a rebate of 15 per cent. and a further rebate of not exceeding 15 per cent., if, on being called upon to pay the rates, he volunteers to pay whether

the property is occupied or not. Once again, we find that occupiers may in certain circumstances deduct rates or a part of the rates paid by them from their rent, and finally we note that certain properties, because held by the Crown or held for specific objects or under given circumstances, are entitled to either absolute, conditional, or partial exemption.

If this outline of the history and basis of rating is thoroughly grasped, what follows with regard to the procedure and the methods employed in actual assessments should be much more easily and perfectly understood.

PROCEDURE.

438. **General Observations.**—It will considerably clear the way for what follows if it is remembered at the outset that inhabitants are rated only as occupiers, or because they occupy land; and that all rates are levied on the basis of certain statutable annual values of the properties in respect of the occupation. The annual values on which the rates are based are defined by certain statutes. Those statutes require the preparation by the Rating Authority of lists, called Valuation Lists, of all rateable properties in each parish. The Valuation Lists must show two statutory values for each property, gross and rateable, although one of these values is only useful as a step in finding the other. The authority for making the Valuation List is the Overseers, and the authority for amending and confirming and hearing objections of owners to such list is the Assessment Committee appointed by the Board of Guardians of each union of parishes. It is competent for any occupier to object to the assessment placed upon his property, and if he fails to obtain the redress he seeks from the Assessment Committee he may appeal to Special or Quarter Sessions.

When we are engaged on the assessment of annual value for rating purposes we are finding the statutory

values which should be inserted in the Valuation List. We may be engaged for the rating authority, or we may be acting on behalf of some private individual, but the object is the same, viz., to determine what is the correct statutory annual values of the property or properties in question.

A very brief outline of the procedure in the preparation, correction, and confirmation of the Valuation Lists is essential as an introduction to the subject of assessments for rating purposes.

439. **Preparation, Correction, and Confirmation of Valuation Lists.**—The procedure in parochial assessment differs somewhat according to whether the property is inside or outside the Metropolis, and separate statutes govern the two cases. The chief statutes governing procedure outside the Metropolis are the Union Assessment Committee Acts 1862–1880, and the statute applying to cases within the Metropolis is the Valuation (Metropolis) Act 1869.

PROCEDURE OUTSIDE THE METROPOLIS.

440. **Statutes and Definitions.**—The Union Assessment Committee Acts provided for the preparation by overseers of lists of all the rateable properties in each parish in each union, which lists were to be in given form, and known as Valuation Lists. The Valuation Lists had to show both the "gross estimated rental" and the "net annual value" of each separate property. "Gross estimated rental" was defined as the rent at which the hereditament might reasonably be expected to let from year to year free from all usual tenants' rates and taxes and tithe commutation rent charge (if any), and the "net annual value" was defined as the rent at which the hereditament might reasonably be expected to let from year to year free from all usual tenants' rates and taxes, and tithe commutation rent charge (if any), and deducting therefrom the probable average annual cost of repairs, insurance, and other expenses (if

any), necessary to maintain the property in a state to command such rent.

441. **Value on which the Rates are Calculated.**—Net annual value is the actual value on which the rates are assessed.

442. **The Usual Terms of Yearly Tenancy and Gross Estimated Rental Compared.**—The definition of gross estimated rental, it should be noted, coincides with the usual terms of yearly tenancy—that is, the rent the tenant would pay if he also discharged the usual tenant's rates and taxes, with this important distinction, that the definition assumes the tenant pays tithe rent charge, which, since the Tithe Rent Charge Recovery Act 1891, he cannot contract to pay. Where, therefore, there is a tithe rent charge on a property, it must be deducted from the rental which the property commands, to find the rent which we may assume the hypothetical tenant would pay if he did pay tithe as assumed by the definition.

443. **Net Annual Value—How arrived at.**—The definition of net annual value, it should be noted, represents the gross estimated rental minus the probable average annual cost of repairs, insurance, and other expenses, if any, necessary to maintain the hereditament in a state to command such rent. Strictly, under the provisions of the statutes, the deduction to be made from gross estimated rental to produce net annual value is the actual average annual cost of repairs, insurance, and other expenses, if any, necessary to maintain the hereditament in a state to command the rental. But to simplify matters most of the rating authorities work upon tables of allowances for repairs, etc., which they have prepared, and as the tables of the different authorities are not identical there is no exact uniformity. The table adopted in any particular district may be ascertained.

444. **Gross Estimated Rental—How arrived at.**—The gross estimated rental is to be derived from a knowledge or estimate of what the property will actually command.

The fact may be established by the property being actually let at a given rental, and there being no evidence to suggest that such rental is other than the fair rack rental; or it may have to be established by comparison, or on the contractor's theory; or, in the case of monopolies, on inference drawn from the financial results of the occupation (see § 516 ff.).

445. **Construction of the Phrase "From Year to Year."**—Whilst the definition of gross estimated rental, as already pointed out, coincides with the terms under the usual yearly tenancy, the expression "from year to year" should be interpreted so as to imply the rental obtainable taking one year with another, or the rental in an average year.

446. **Valuation List—Whom prepared by.**—The Valuation List is still prepared by the overseers for each parish, but they are not now appointed by the justices, nor are the churchwardens, with very few exceptions, members. The overseers are now appointed by the Parish Meeting or Parish Council where there is one, in rural parishes, and by the County Borough, Borough, or Urban District Council in urban districts, the Councils of which have had transferred to them the powers of overseers.

Parishes are united in Unions for the relief of the poor, and each parish contributes to the cost of poor relief in the Union according to the total rateable value of the property in the parish. A Board of Guardians representing the several parishes govern for the Union Authority. An Assessment Committee is appointed from the Guardians, and this Committee hears objections and amends the valuation list from time to time. There is no periodical revaluation of all the property in a parish provided for—this is left to the discretion of the authorities—but the original list is amended from time to time and constitutes the valuation list in force. It is the duty of the overseers to prepare a supplemental list to include all properties which have undergone alteration in value and all new properties, and such

supplemental lists have to be deposited for the Assessment Committee's amendments and confirmation, and to afford occupiers the opportunity of objecting.

447. **Objection by Ratepayer.**—Any ratepayer may enter an objection to the valuation list at any time, on the ground that the property he occupies is unfairly assessed, or that the property in other ownership or occupation is unfairly assessed or has been omitted from the list altogether.

448. **Supplemental Valuation List.**—From the foregoing it will be gathered that each time a new property comes into existence, an existing property alters in value, or an owner or the authority discovers some inaccuracy in the valuation list, an occasion arises for an assessment or reassessment of property, to be the subject of a supplemental list, and ultimately an amendment of the standing valuation list.

449. **Assessment—Procedure.**—In every case of assessment we proceed first to find the gross estimated rental value, and then we make the proper deductions to be made in order to arrive at the net annual value.

If we keep the definitions clearly before the mind and remember that the gross estimated rental value is the rental the property would let at on ordinary yearly tenancy taking one year with another, unless there is a tithe rent charge on the property, which the tenant does not pay, when that must be deducted from such rent, we shall have a familiar basis on which to work. Then we must ascertain the actual outgoings for repairs, insurance, and other expenses, if any, necessary to keep the hereditament in a state to command the rent, and deduct same from gross estimated rental to find net annual value.

What has been said with regard to the procedure in the preparation, correction, and confirmation of the valuation list in areas outside the metropolis is sufficient to enable the reader to understand how, by whom, and on what basis properties are assessed, and why and how we as valuers may be engaged either acting for private individuals or the public

rating authorities in assessing the statutory annual values known as "gross estimated rental" and "net annual value," either in the first instance, as in the case of new properties, or in cases in which an alteration in value since the list in force was made renders a revaluation necessary either at the instance of the authority or on a demand by the aggrieved ratepayer, or, in the case of appeal, by the order of Sessions.

PROCEDURE WITHIN THE METROPOLIS.

450. **Statute and Definitions.**—Procedure within the metropolis differs from that outside, and is, as already indicated, governed by the Valuation (Metropolis) Act 1869.

The Act in question defines two values, viz. "gross and rateable," and although the wording of the definitions is not identical with those contained in the Union Assessment Committee Acts, these values may be regarded as practically identical with "gross estimated rental" and "net annual value."

"*Gross value*" *is defined by the Valuation* (*Metropolis*) *Act as* "*the annual rent which a tenant might reasonably be expected, taking one year with another, to pay for a property, if the tenant undertook to pay all usual tenant's rates and taxes, and tithe commutation rent charge, if any, and if the landlord undertook to bear the cost of the repairs, insurance, and other expenses, if any, necessary to maintain the property in a state to command that rent.*"

Rateable value is defined as "*the gross value after deducting from it the probable average annual cost of the repairs, insurance, and other expenses, if any, necessary to maintain the property in a state to command the rent.*"

451. **Basis on which Rates are Calculated.**—Rates in the metropolis are, as in the case of areas outside the metropolis, charged on the basis of a statutory annual value of the property (viz. on the rateable value) in respect

to the occupation of which the occupier is called upon to pay.

452. **Valuation Lists—Whom prepared by.**—The Metropolitan Borough Councils being now endowed with all the powers, duties, and responsibilities of overseers, prepare Valuation Lists, and Assessment Committees appointed by the Board of Guardians overlook, correct, and confirm the lists, and hear the objections of ratepayers.

453. **Rateable Value — How Calculated.**— Rateable value is found by deducting from "gross" the average annual cost of repairs, insurance, and other expenses, if any, necessary to maintain the property in a state to command that rent. But it should be carefully noted that the Act provides a scale of maximum deductions to be made in arriving at rateable from gross. Whilst the authorities are not compelled to allow the maximum, they usually do so; but it cannot be exceeded even though the actual outgoings are considerably more.

454. **Maximum Deductions.**—The table of maximum deductions is as follows :—

[TABLE

THIRD SCHEDULE OF THE VALUATION (METROPOLIS) ACT 1869.

Table of Maximum Deductions for Converting "Gross" to "Rateable."

Class of Property.	Maximum Rate of Deductions. Per Cent. or Proportion.
Class 1. Houses and buildings, or either of them, without land other than gardens where the gross value is under £20	25 or $\frac{1}{4}$.
,, 2. Houses and buildings without land other than gardens and pleasure grounds valued therewith for the purpose of inhabited house duty where the gross value is £20 and under £40	20 or $\frac{1}{5}$.
,, 3. Houses and buildings without land other than gardens and pleasure grounds valued therewith for the purpose of inhabited house duty where the gross value is £40 or upwards	$16\frac{2}{3}$ or $\frac{1}{6}$.
,, 4. Buildings without land which are not liable to inhabited house duty and are of a gross value of £20 and under £40	20 or $\frac{1}{5}$.
,, 5. Buildings without land which are not liable to inhabited house duty and are of a gross value of £40 or upwards	$16\frac{2}{3}$ or $\frac{1}{6}$.
,, 6. Land with buildings not houses .	10 or $\frac{1}{10}$.
,, 7. Land without buildings . . .	5 or $\frac{1}{20}$.
,, 8. Mills and manufactories . . .	$33\frac{1}{3}$ or $\frac{1}{3}$.
,, 9. Tithes, tithe commutation rent charge, and other payments in lieu of tithe.	To be determined in each case according to the circumstances and the general principles of law.
,, 10. Railways, canals, docks, tolls, water works, gas works.	
,, 11. Rateable hereditaments not included in any of the foregoing classes.	

The maximum rate of reductions prescribed in this schedule shall not apply to houses or buildings let out in separate tenements, but the rate of deductions in such cases shall be determined as in Classes 9, 10, and 11.

455. **The Three Valuations Required by the Valuation (Metropolis) Act 1869.**—Unlike the case outside the metropolis, the Valuation (Metropolis) Act 1869 requires that periodical valuations shall be made, and in fact provides for—

(*a*) A valuation of the whole of the rateable property in the metropolis every five years. The next new list will be made before the 1st June 1915, and thereafter in 1920 and so on. Owing to the interval, this valuation is known as the Quinquennial Valuation.

(*b*) A valuation each year between the quinquennial valuations of all properties which have come into existence, or which have altered in value from any cause since the preparation of the list in force.

(*c*) Provisional valuations of all properties which have changed in value from any cause during any year between the supplemental or supplemental and quinquennial valuations.

456. **Ratepayer's Right of Objection.**—A ratepayer may object to the assessment of his property when either a quinquennial or a supplemental valuation is in progress, and if he does not get redress, he may appeal to Sessions. He may likewise call upon the authorities at any time to include his property in a provisional list, but if he fails to obtain the redress he seeks, he has no appeal from the decision of the Assessment Committee, but must await his opportunity when the next supplemental or quinquennial list is made. If, however, he then succeeds, he may call for the return of any excess rate he has paid for the period since his objection.

457. **Dates. Preparation and Confirmation of Valuation Lists. Objections and Appeals.**—The following dates may be useful to valuers :—

Quinquennial valuation.	First made in 1870 and in each 5th year, 1875, 1880, 1885, 1890, 1895, 1900, 1905, 1910, 1915, etc.
The Overseers shall make and deposit the valuation list	Before the 1st June.

The Overseers transmit valuation list to Assessment Committee	Not sooner than 14 nor less than 17 days after the notice of deposit.
Notice of objection by any person other than Surveyor of Taxes and Overseers shall be given	Before the expiration of 25 days after list is deposited.
The Assessment Committee revise the list	Before 1st October in the same year, but not less than 16 days after transmission of the list.
The Assessment Committee give notice for hearing objections to a list	Not less than 16 days before meeting.
Notice of objection with respect to any list by Surveyor of Taxes and by the Overseers	Not less than 7 days before the meeting at which objections to such list will be heard.
The Assessment Committee shall send the valuation list to be re-deposited	Within 3 days after it is approved by them,
and shall appoint a day for hearing objections	not less than 14 nor more than 28 days after re-deposit
of which such objection	7 days' notice shall be given by the objector.
Notice of appeal to special sessions shall be given	On or before the 21st November in same year.
The Justices may hold the special sessions at any time	After the 30th November in same year,
which will enable them to determine all appeals before the ensuing	1st January.
The Clerk of the said Managers shall send out the printed totals	Before the 1st December in same year
and shall return the valuation list to the Assessment Committee	not sooner than 14 nor later than 21 days after the totals are sent out.
Notice of appeal to Assessment Session shall be given	On or before the 14th January in same year.

The Justices may hold the Assessment Sessions at any time	After 1st February,
which will enable them to determine all appeals (except where a valuation list is involved or re-valuation is ordered)	before the ensuing 31st March.
Notice of the times at which the Assessment Sessions will be held at each place shall be given by the Clerk	10 days at least before the first Court is held.

ASSESSMENT—PRINCIPLES AND RULES.

458. **Criterion of Annual Value.**—There are two very important propositions which should be kept before the valuer's mind when assessing annual value for rating purposes, viz. :—

(1) The CRITERION for assessment for rating purposes is annual VALUE ;

(2) The rental actually paid for a property is to be regarded as EVIDENCE OF VALUE, and is the CRITERION OF VALUE in the absence of rebutting evidence.

It will be gathered from the foregoing that whatever the evidence or theory advanced in support of any assessment for rating purposes, the object is always the same, viz., to show what is the actual annual value of the property concerned.

459. **The Hypothetical Tenant.**—The value must be the rent which the hypothetical tenant of such property would, taking one year with another, pay for it, the "gross" or "gross estimated rental" being the annual rent he would pay if he undertook to pay all usual tenants' rates and taxes and tithe commutation rent charge, if any, and the "rateable value" or the "net annual value" being the gross minus the proper allowance for repairs, insurance and other expenses, if any, necessary to maintain the premises in a state to command that rent.

460. **Relationship of Rent Paid to Rental Value.**—Where there are a number of similar properties held under recently created yearly tenancies at rack rents, the rents obtained for such properties are usually indisputable evidence, and no difficulty can arise. But in the case of properties held on leases, especially old leases, and particularly those under which premiums have been paid or undertakings entered into by the lessees to carry out alterations or additions or works necessary to put premises in repair at the commencement of their terms, the rent reserved at least may not and usually does not represent annual value.

461. **Cases in which Rent Paid does not Represent Annual Value.**—It may be useful to enumerate in brief tabulated form the chief cases in which the reserved rent will not represent annual value: they are as follows:—

(1) The rent reserved in a lease for a term of years may have been fixed having regard to the fact that the property was at the time when the lease was granted an improving one. In such circumstances the true annual value assessed at the commencement of the term would be "less" and near upon the end of the term "more" than the reserved rent.

(2) The rent reserved in a lease may be a fluctuating one, such as £250 per annum for the first three years and £500 per annum after three years, so fixed with the object of giving the lessee an opportunity of establishing his business before having to meet the burden of the full rental. In such a case the rent reserved would not represent annual value over any part of the term granted.

(3) Less than the rack rent may have been reserved because the lessee commuted part of the rent and paid a premium. The rental value in this case should be represented by the reserved rent

plus the annual equivalent of the premium paid.

(4) A lessee may have accepted the premises in a very dilapidated state and undertaken to do the necessary repairs, and a rent lower than rental value may have been reserved to recoup the lessee his outlay.

(5) The value of property may have been increased since the lease was granted and the rent reserved, as the result of structural improvements or additions which have been made. A lessee for a comparatively short term may have undertaken such improvements to suit his own convenience, or on being credited by a reduction in rent commensurate with the advantage to be derived by the lessor on the lease falling in; or a lessee for a long term may have made improvements which, owing to the remoteness of the reversion, are of little or no advantage to the lessor. In the former case even the rent reserved plus the annual equivalent of the outlay should not represent annual value, for the rent is not even the true rental value of the premises apart from the improvement made; but in the latter case, the reserved rent plus a fair percentage on the outlay should usually give an idea of rental value.

However, annual value is a question of fact, and there are cases in which works have been carried out at a considerable cost with the result that the annual value of the property involved has even been decreased. It depends how wisely or unwisely the outlay has been made, or often whether the alteration is one which constitutes an improvement from the point of view of a particular individual with a given object in view only, or whether it is one

which increases the value of the property to the hypothetical occupier.

(6) The rental value of the property may have altered since the lease was granted as the consequence of a general rise or fall in values in the locality.

462. **Special Cases.**—There are cases in which a course different from that usually followed in the assessment of property has to be pursued because special circumstances obtain. In the case of properties suited to and held for special undertakings, or properties which have been erected by the owners and occupiers for some particular trade or purpose, direct evidence of rental value is absent, and the rent which the hypothetical tenant of the particular property would pay has to be determined on the basis of the accommodation which such property affords, or on considerations concerning the financial results arising out of holding the property suggesting the rental value the hypothetical tenant would be willing to pay.

463. **Annual Values—How Found.**—Annual value for rating purposes may be found in one of several ways, viz. :—

(a) On the basis of the rent paid, such rental being shown to be the actual annual value by the fact that there are many similar properties which under comparatively recent lettings have been let at similar rentals.

(b) On what is known as the Contractor's theory, viz., on the basis of a fair annual return on the value of the land plus a fair percentage on the value of the buildings.

(c) On the accommodation afforded as compared with that given by other properties the rental value of which has been tried by their having been or by their being let to tenants. In such cases there may be a comparison of cubic

capacity, floor area, and special advantages, such as unique position, river frontage, railway siding, and so on. Such a basis is applicable where traders have erected premises for their own purposes and, the property not having been let, there has been no trial of what rent it would secure; also to the case of buildings erected and used for special purposes, such as schools, public buildings, etc.

(d) On the basis of the rental which the hypothetical tenant would be willing to pay for the property, having regard to the profit which can be made as an outcome of holding it. Such a basis is applicable in the case of water, gas and electric light companies, railways, canals, cemeteries, and the like. It can be applied in the case of monopolies only.

464. **Particulars Useful to the Valuer.**—In dealing with such matters, and in trying to arrive at a fair annual rental value, the valuer naturally procures all possible information to aid a just decision. The following particulars would obviously be useful:—

(a) The floor space afforded by the building and premises in question, which may be compared with the floor space in other buildings the letting value of which has been tried.

(b) The frontage and the area of the land involved, which, taken at the capital or rental value per foot frontage or per foot super realised by other similar land, will show the capital or rental value of such land.

(c) The dimensions of the buildings from which their cubic capacity may be calculated, and from which in turn the cost which would be incurred in erecting such buildings may be calculated. From the cost of such buildings may be derived

a fair estimate of present value, having regard to their age and general condition. On the basis of the value of such buildings a fair annual return on such value may be arrived at, and this plus a fair percentage on the capital value of the land, or the rental value of the land, will suggest a fair annual value for the whole property.

(d) Any information as to special advantages enjoyed by or disadvantages burdening the property in question.

The gross and rateable values placed upon other similar premises, if recently revised, should be before the valuer, but there is nothing conclusive about the information they give, for those values may of course be in error.

465. **Basis Compared.**—In considering the assessment of property, direct evidence of what the premises will in fact let at must stand before any opinion as to what they should let at—that is, should let at from the investment point of view as found through the medium of the "contractor's theory." Where comparison with premises the rental value of which has been tried by letting is possible, that is more conclusive. The one suggests what premises WILL let at, whilst the other only draws conclusions from an investment point of view as to what they OUGHT to let at.

466. **Contractor's Theory—Application of.**—In adopting the contractor's theory as a means of finding the annual value of any property, we may :—

(a) Ascertain a fair ground rental value for the land, on the basis of frontage or area, and add to this annual value of the land a fair percentage on the value of the buildings, plus 5 per cent. for architect's charges.

(b) Ascertain the fair capital value of the land and take a fair percentage on that value as the

rental which should arise out of the land, and add to this a fair percentage on the value of the buildings plus 5 per cent. for architect's charges.

467. **Value of Buildings as distinct from Cost of Erection.**—The value of the buildings may be taken as the present cost of erecting such buildings less a percentage to represent fairly the difference between the value of such buildings new and the value of such buildings having regard to their age and general condition.

468. **Percentages on Capital Value to be taken as Representing Annual Value.**—Perhaps as a general guide we might take for ordinary commercial properties 4 per cent. on the fair capital value of the land, and 6 per cent. on the value of the buildings, plus 5 per cent. thereon for architect's fees, as representing annual value.

But, with regard to the land, a ground rent reserved may or may not represent the annual value: such rental may have been improperly assessed originally, or the land may have increased or decreased in value since the date when the rent was reserved. In comparing sites, all circumstances which would add to or detract from value must be carefully weighed.

With regard to the percentage on buildings, a uniform percentage for all buildings would not give a true result, as buildings differ so much in character and design, and some involving heavy expenditure in architectural features and decorations would not command an annual income commensurate with their cost.

469. **Buildings—How Valued.**—It may be worth while to state in concise form the steps to be followed in estimating the value of buildings. They are as follows:—

(a) **Take the linear dimensions necessary for a computation of the area of each separate part of the building which differs from any other part in height.**

(b) Take separately the height of each part of the building which differs in height from any other part, such height to be measured from the bottom of the foundations to half-way up the slope of roof (assuming a sloping roof), or to the top of the parapet in the case of flat roofs, to obtain average height of that part.

(c) From the linear dimensions calculate the cubic capacity of each separate part, and add the cubes of the parts to find the cube of the whole.

(d) Work out the present cost of erecting such a building by multiplying the cube in feet by the price per foot cube. An excellent table giving some idea of the cost of different classes of buildings will be found on pages 3 to 7 of Spons' "Architects' and Builders' Pocket Price Book," but of course some experience is necessary in application.

(e) Reduce this estimate by deducting a proper percentage, having regard to the age and general condition of the buildings, to find a present value of such buildings.

(f) Add to this value 5 per cent. thereon for architect's charges to find the amount on which the rental value should be based.

In fixing the price per foot cube, regard must be had to any features which would not create value to the hypothetical occupier.

470. **Fixtures and Machinery.**—Fixtures as such are not rateable, but where chattels are attached to premises and are such that they would in the usual course pass on a demise to the lessee, their presence naturally enhances the rental value of the property, which is assessed accordingly. Where a lessee pays a rent for premises attached to which are fixtures the use of which he is entitled to under the lease,

that rent is the enhanced rent, subject, of course, to the possibility of a too low or a too high rent having been reserved.

Again, where fixtures, fittings, engines, machinery, and the like are on premises for the purpose of fitting them, and do in fact fit them, for the special trade or business for which they are used, they may be taken into account as enhancing the annual value of the premises, and this is so whether the things belong to the landlord or tenant, and whether they are attached or entirely unattached. In the case of such fixtures, etc., being the property of the lessee, they are not covered by the reserved rent, unless, of course, the reserved rent is an excessive one.

The question of fixtures is dealt with very variously by the different rating authorities. In cases involving trade fixtures, the practice of the rating authorities for the area should be ascertained.

The enhancement in the rental value of premises arising out of the presence of fixtures and machinery, utensils of trade, and the like, may be taken to be a percentage on the capital expenditure which the hypothetical tenant would have to incur in purchasing such articles at the time when the assessment is being made, which may or may not be very much less than what they cost when originally installed. New inventions often greatly affect the price at which the less modern machinery may be obtained.

Then the ratepayer ought to have allowance for any defects in such articles which impair their utility, for the enhancement introduced by any article must be lessened as its utility is decreased, and when depreciation so affects it that it becomes of no utility, it must be disregarded, as having ceased altogether to enhance the value.

An allowance not exceeding $7\frac{1}{2}$ per cent. of the estimated cost, after making allowance for defects affecting utility, may be taken as the amount to add to the gross value of the premises to which the fixtures are attached, or on which

they are found, to arrive at the enhanced gross value. In converting the enhanced gross value to enhanced rateable value, if the property is a mill or manufactory, the maximum deduction is one-third (see **Table of Maximum Deductions,** Appendix B). But in other cases perhaps it would be better to find the gross and rateable values of the premises apart from the enhancement arising from the presence of the fixtures, etc., and to add to these the gross and rateable values representing the enhancement, making the maximum deduction for the premises, having regard to their class, according to the scale, and one-third deduction on that part of the gross value attributable to the fixtures, etc.

471. **Assessments on the Basis of Profits.**—As already pointed out, this basis of assessment can only be employed when all others fail, and there is a monopoly, such as in the case of a railway, canal, gas works, electric light works, and the like.

The inference is that when the holding of certain property for a monopoly results in the earnings exceeding all outgoings, plus a fair allowance for interest on the capital invested, and profit, what remains may be regarded as the rent the hypothetical tenant of that monopoly might reasonably be expected to pay for the occupation of the land involved. In the case of monopolies, there is no other way of arriving at an assessment of annual value. This basis of value is only adopted as a means to an end, which is the same no matter what course is followed, viz. finding rental value—the rent which the hypothetical tenant would pay—and because no other method is available.

In such monopolies, some of the property held is known as the directly productive property, because it is directly concerned in profit earning, whilst other parts are known as the indirectly productive property, because they are necessary to the undertaking, but are a necessary source of expenditure rather than a direct source of income. A railway cannot be run without stations, but the income is not earned

there, but on the line. The stations must have a rental value, for the hypothetical tenant of the railway could not do without them, but the rental value of these stations, their upkeep, and even the rates and taxes attributable to them, must be regarded as outgoings so far as the profit-earning part of the railway is concerned. Similar reasoning is applicable to other undertakings.

Railways extend into many parishes, and the rates to be paid have to be apportioned between the several rating areas through which the line passes, according to the amount earned in each parish. Expenses which are incurred as much for one part of the railway as any other part have to be divided according to the length of line in each parish, whilst the expenses incurred locally are taken into account in arriving at the actual earnings in a parish. The indirectly productive property is separately rated in the parish in which it is situate.

The rental value of the indirectly productive property is assessed on the Contractor's theory already explained (§§ 463–466).

The rental value of the directly productive property is found, as intimated, by a deduction from the financial results of the concern, the rental value, cost of upkeep, and rates and taxes on the indirectly productive property representing an outgoing in the calculation.

Stripped of all refinements, the method of finding the rateable value of the directly productive part of the property may be briefly, and therefore usefully, stated as follows :—

From the receipts from all sources deduct—

(a) Expenses and outgoings.

(b) The gross annual value of the indirectly productive property involved.

(c) The rates and taxes paid in respect to the indirectly productive part of the property.

(d) The cost of repairs to the indirectly productive part of the property.

(e) The statutable deductions in respect to the directly productive property.
(f) The rates and taxes on the directly productive part of the property.
(g) Interest on capital invested.
(h) Tenant's share or profit which the hypothetical tenant should have to induce him to run the undertaking.

(See §§ 516 to 518.)

472. **Tenant's Share.**—In assessing annual value on the basis of financial results, from 17½ to 20 per cent. may perhaps be taken as a fair allowance for the profit which would induce the hypothetical tenant to hold the land and run the undertaking.

473. **Rateable from Rateable plus Rates or from Gross plus Rates—How Calculated.**—It has been noticed that both "gross" and "rateable" value or "gross estimated rental" and "net annual value" assumes that rates and taxes are paid by the tenant. It will often occur that the amount of rates and taxes in respect of any property is not known, because the rateable value, the basis on which they are to be calculated, has not been ascertained. The rate in the £ rateable value in any particular district is, however, always ascertainable.

Under such circumstances it is necessary first to calculate gross value plus rates, and from this the rateable value plus rates. This done, it is a simple matter to calculate the rateable value by proportion. Suppose the rates and taxes are 7s. in the £ rateable value, and the rateable value of the property plus rates and taxes is £27,000:

$$27 : 20 :: 27{,}000 : \text{rateable value} = £20{,}000.$$

But the use of the foregoing rule presupposes that the rateable plus rates can be arrived at through the gross plus rates, from the particulars supplied. In some cases that cannot be done, for other items such as the statutable

maximum deduction for repairs, insurance, and other expenses under the Valuation (Metropolis) Act, which depend on the assessment, are lacking, so that having arrived at gross plus rates (or it may be gross plus rates plus some other item, such as the license duty to be paid on a public house), you are unable to make the statutable deductions of say $\frac{1}{6}$th gross to arrive at rateable plus rates.

In such circumstances the calculation will be as follows :—

Let	x	= gross,
and	£100	= gross + rates,
then	$100-x$	= rates,
and	$\frac{5}{6}$ths x	= rateable,

assuming, of course, a case in which $\frac{5}{6}$ths gross is rateable. See Table of Maximum Deductions, Valuation (Metropolis) Act 1869, § 454.

And supposing the rates are 8s. 6d. in £ rateable, the rates will $= \frac{8{\cdot}5}{20}$ or ·425 of the rateable value

$$\therefore \quad {\cdot}425 \times \frac{5}{6}x = 100-x$$

$$= \frac{2{\cdot}125\,x}{6} = 100-x$$

$$= 2{\cdot}125\,x+6\,x = 600$$

$$x = \frac{600}{8{\cdot}125}$$

$$x = 73{\cdot}84$$

Thus the gross . . .	= £73·84	
Deduct $\frac{1}{6}$ to find rateable . .	= 12·30	
Rateable . .	= £61·54	
Gross as above		= £73·84
And the rates at 8s. 6d. in the £ rateable on £61·54		= 26·16
Gross + rates as assumed for the example		= £100

474. **The Parochial Principle and the Mileage System.**—These expressions are used to define methods of apportioning the gross and rateable values of such undertakings as railways extending into several rating areas, among the parishes concerned.

The parochial principle is recognised wherever it can be applied, and consists in apportioning between the parishes according to the ACTUAL PROFIT EARNED in each parish.

The mileage system implies the distribution of the whole values between the parishes according to the LENGTH OF THE LINE in each parish.

The mileage system is only followed by compulsion where the parochial principle cannot be adopted. It is also employed in apportioning central expenses over the whole line.

475. **Contributive Value.**—Applied to the case of railways, contributive value is the value which a branch line may have over and above what would appear from its actual local earning powers, because of its usefulness to a company owning a main line, because its existence contributes to the value of the main line railway. Contributive value concerns the question as to where the rates shall be paid rather than the amount to be paid—whether, in the parish where the local line lies, the authority shall be entitled to demand rates on the basis of an assessment representing the value of the line as a direct profit earner only, or on the higher assessment representing the rent which the hypothetical tenant of both the main and local line might be expected to pay for the occupation of the land involved by the local line because of its advantage to the main line. The great difficulty, if not the impossibility, of proving such additional value, has resulted in its not being generally attempted.

476. **Rating of Mines.**—With regard to the rating of mines, it will probably considerably clear the ground if it is noticed that in speaking of the gross and rateable values of a mine, we are concerned with the rent which the hypothetical tenant of the mine would pay for it. Thus we start

with the assumption that there is a mine in existence, and that money has been laid out by the owner in establishing it in working order. It is assumed that shafts have been sunk, roads have been formed, and surface machinery has been provided and fixed, all as necessary to converting the mere land into a mine.

But when property is actually leased for mining and the lessee carries out the works suggested in the last paragraph, he necessarily would pay less in rent or rent and dues than he would be willing to pay if such burdens did not fall upon him, and consequently the rent and dues paid under such circumstances will not represent rateable value, to find which a fair percentage on the cost of the works referred to must be added. It will likewise be noticed that the cost of repairs, insurance, and renewal fund to provide for replacing machinery and plant which forms part of the mine, if met by the lessee working the mine, must be added to rateable value to find the gross value.

It is convenient to divide mines into two classes—

(1) Mines other than tin, lead, and copper mines in respect to the assessment, of which there is no direct statutory procedure.

(2) Tin, lead, and copper mines, with regard to the procedure in the assessment of which the Rating Act 1874 lays down specific rules.

(1) *Mines other than Tin, Lead, and Copper Mines.*—The rent which the hypothetical tenant of the mine would pay is the criterion of annual value.

The gross and net annual value may have to be determined in one of several ways, according to the evidence of value available, but the end to be aimed at is the same in all cases, viz. the ascertainment of the rent which the hypothetical tenant would pay, or the actual annual value.

Annual value may be based upon—

(*a*) The previous year's output. This should be an excellent basis, but it involves annual reassessment.

(*b*) The rent or rent and dues paid under a lease for a term of years if recently fixed, and where the grant of the lease was not subject to fine or premium. Rent paid is evidence of value, and is the criterion in the absence of rebutting evidence.

(*c*) A comparison of the mine in question with other mines and their assessments when such comparison is possible. This is difficult and involves comparisons in the matter of output, expenses, and profit.

(*d*) The financial results of the mining operations. This basis should never be adopted where other methods are available. The variation in output, expenses, trade results, and other considerations render this basis unsuited to the assessment of such speculative property as mines.

The circumstances in which it is most probable there may be dispute between ratepayers and the rating authorities as to the gross and rateable value of a mine are—

(*a*) When the property is held under a very old lease ;

(*b*) Where the lease has been granted in consideration of a fine or premium ;

(*c*) Where the mine is worked by the owner.

In cases of dispute all possible evidence of rental value must be gathered, examined, and compared, with the object of arriving at a just conclusion as to the rent which the hypothetical tenant of the mine would pay on lease for the term of years commonly granted in the locality.

It must be understood that when the rent which the hypothetical tenant would pay has been determined, the necessary additions must be made to find gross and rateable.

Where the lessee does the landlord's repairs and insures, gross and rateable are identical.

No deduction is made in an assessment to meet the fact

that the mine is being gradually exhausted, but when the mine ceases to be productive it is no longer rateable as a mine.

(2) *Tin, Lead, and Copper Mines.*—The following provisions of the Rating Act 1874 indicate how tin, lead, and copper mines are rated :—

Section 7.—"Where a tin, lead, or copper mine is occupied under a lease or leases granted without fine on a reservation wholly or partly of dues or rent, the gross value of the mine shall be taken to be the annual amount of the whole of the dues payable in respect thereof during the year ending on the thirty-first day of December preceding the date at which the valuation list is made, in addition to the annual amount of any fixed rent reserved for the same which may not be paid or satisfied by such dues.

"The rateable annual value of such mine shall be the same as the gross value thereof, except that where the person receiving the dues or rent is liable for repairs, insurance, or other expenses necessary to maintain the mine in a state to command the annual amount of dues or rent, the average annual cost of the repairs, insurance, and other expenses for which he is so liable shall be deducted from the gross value for the purpose of calculating the rateable value.

"In the following cases, namely :—

"(1) Where any such mine is occupied under a lease granted wholly or partly on a fine ; and

"(2) Where any such mine is occupied and worked by the owner ; and

"(3) In the case of any other such mine which is not excepted from the provisions of this Act and to which the foregoing provisions of this section do not apply ;

the gross and rateable annual value of the mine shall be taken to be the annual amount of the dues or dues and rent

at which the mine might be reasonably expected to let without fine on a lease of the ordinary duration, according to the usage of the country, if the tenant undertook to pay all tenant's rates and taxes and tithe rent charge, and also the repairs, insurance, and other expenses necessary to maintain the mine in a state to command such annual amount of dues or dues and rent."

The term "mine," when a mine is occupied under a lease, includes the underground workings and the engines, machinery, workshops, tramways, and other plant, buildings (not being dwelling houses), and works and surface of land occupied in connection with and for the purposes of the mine, and situate within the boundaries of the land comprised in the lease or leases under which the dues or dues and rent are payable, or reserved;

The term "dues" means dues, royalty, or toll, either in money or partly in money and partly in kind; and the amount of dues which are reserved in kind means the value of such dues;

The term "lease" means lease, or sett, or license to work, or agreement for a lease or sett, or license to work;

The term "fine" means fine, premium, or foregift, or other payment or consideration in the nature thereof.

Cemeteries, Gravel Pits, etc.—Considerations similar to those applicable to mines govern the assessment of cemeteries, gravel pits, and the like.

477. **Rating of Land Used for a Plantation or a Wood, or for the Growth of Saleable Underwood, and not Subject to any Right of Common.**—The Rating Act 1874 provides for the rating of plantations and woods and land used for the growth of saleable underwood as follows:—

Section 4.—"The gross and rateable value of any land used for a plantation or a wood, or for the growth of saleable underwood, shall be estimated as follows:—

"(*a*) If the land is used only for a plantation, or a wood, the value shall be estimated as if the land instead of being a plantation or a wood were let and occupied in its natural and unimproved state;

"(*b*) If the land is used for the growth of saleable underwood, the value shall be estimated as if the land were let for that purpose;

"(*c*) If the land is used for both a plantation or a wood and for the growth of saleable underwood, the value shall be estimated either as if the land were used only for a plantation or a wood, or as if the land were used only for the growth of saleable underwood growing thereon, as the assessment committee may determine."

478. **Rating of Rights of Fowling, of Shooting, or Taking or Killing Game or Rabbits, and of Fishing, when Severed from the Occupation of the Land.**—The rating of sporting rights is provided for by the Rating Act 1874, as follows:—

Section 6.—"(1) Where any right of fowling, or of shooting, or of taking or killing game or rabbits, or of fishing (hereinafter referred to as a right of sporting) is severed from the occupation of the land and is not let, and the owner of such right receives rent for the land, the said right shall not be separately valued or rated, but the gross and rateable value of the land shall be estimated as if the said right were not severed; and in such case if the rateable value is increased by reason of its being so estimated, but not otherwise, the occupier of the land may (unless he has specifically contracted to pay such rate in the event of an increase) deduct from his rent such portion of any poor or other local rate as is paid by him in respect of such increase; and

every assessment committee, on the application of the occupier, shall certify in the valuation list or otherwise the fact and amount of such increase.

"(2) Where any right of sporting, when severed from the occupation of the land, is let, either the owner or the lessee thereof, according as the persons making the rate determine, may be rated as the occupier thereof.

"(3) Subject to the foregoing provisions of this section, the owner of any right of sporting, when severed from the occupation of the land, may be rated as the occupier thereof.

"(4) For the purposes of this section, the person who, if the right of sporting is not let, is entitled to exercise the right, or who, if the right is let, is entitled to receive the rent for the same, shall be deemed to be the owner of the right."

479. **The Resolutions of the London Rating Authorities.**—Although the rating authorities of the various areas have usually adopted some rules of their own for assessing various classes of property liable to rating within the parishes of their unions, which are not necessarily identical, and which, although more or less on those lines, do not always in all respects exactly coincide with the resolutions passed at the Conference of the London Rating Authorities, a perusal of those resolutions is very useful as indicating generally the ideas of the authorities in the matter of assessment, procedure, and practice, in connection with the quinquennial valuations of property in London.

The application of the resolutions will be illustrated in the examples which follow. For the resolutions, see Appendix B.

The rules adopted in any particular rating area can usually be obtained.

Examples.

480. The utility of examples, in a subject like assessments especially, is not so much to indicate the exact method of dealing with every case—for to do that the

examples would need to be legion, and the extreme qualification of every particular given in the questions would call for a minuteness of description which no one would stay to read if written,—but to raise points of distinction, and to put the mind on inquiry as to how they and variations of them may be dealt with, not according to stereotyped rules, but by intelligent application which will best give effect to the principles involved. In practice every case stands on its own merits.

It may not be out of place to remind the reader once more that in every case of assessment it is the actual statutory rental values "gross" and "rateable" or "gross estimated rental" and "net annual value" which it is sought to establish. Where that is not achieved with accuracy, so far the process employed fails.

Where the circumstances are such that a mathematically accurate result cannot be found, then that course which appears to the assessor the most reasonable and likely to produce fair and equitable results should be followed.

The following worked examples are designed to illustrate the application of the principles and rules discussed in earlier parts of this chapter.

Property Let on Weekly Tenancy.

481. **Question.**—What is the Gross and Rateable Value of a Property Let on Ordinary Weekly Tenancy, the Gross Rent at which the Property Lets—the Rent Roll — being £52 per annum, the Average annual Cost of Repairs £3, 10s. per annum, the Rates 8s. in the £, the Inhabited House Duty 6d. in the £, the Water Rate 5 per cent. on the Rateable Value, Insurance Premium 10s. per annum?

482. **Solution.**—According to the table given in the resolutions passed by the Assessment and Valuation Conference, the gross rents receivable being £52 per annum, and the rates at 8s. in the £, the gross will be £35, and this being below £40 per annum (Table of Maximum Deductions, Valuation (Metropolis) Act 1869), the rateable is $\frac{1}{5}$ less, or £28. (For resolutions, see Appendix B.)

The difference between the rents received, £52 per annum, and

the gross, £35 per annum, is the allowance for converting weekly tenancies into hypothetical yearly tenancies, and to cover the outgoings on rates, water rate, and inhabited house duty, all of which the tenant pays in the case of the usual yearly tenancy. The gross, £35, is then subjected to the maximum deduction set out in the table to the Valuation (Metropolis) Act 1869 for properties under gross, £40 per annum, viz. 20 per cent. or $\frac{1}{5}$ for producing rateable from gross.

Exact assessment of properties which let on weekly tenancy is difficult because of the definition of gross value, and because rates and water rate are calculated on the rateable, and inhabited house duty on the gross value, and these values are not known. We have neither the item from which to calculate the statutory values, nor the statutory values on which to calculate the items.

Putting the table in question on one side, we might proceed to arrive at an assessment as follows:—

Gross rent received on weekly tenancies per annum		= £52	0 0
Deduction to produce average annual gross rental return from the property, say 11 per cent. .		= 5	14 0
Average annual gross receipts . .		= £46	6 0
Repairs per annum . . .	= £3 10 0		
Insurance per annum . . .	= 0 10 0		
Renewals ("other expenses necessary to maintain the property in a state to command that rent") $1\frac{1}{4}$ per cent. on rent roll .	= 0 13 0		
		= £4	13 0
Rateable plus rates, water rate, and inhabited house duty . . .		= £41	13 0

Rates . . . 8s. 0d. in £ on rateable value
Water 5 per cent. = $\frac{1}{20}$ 1s. 0d. „ „
Inhabited house duty 0s. $7\frac{1}{2}$d. (6d. charged on gross)

9s. $7\frac{1}{2}$d., say 9s. 8d.

By proportion,
29·66 : 20 : : 41·65 : rateable = £28.

Rateable value as calculated	= £28	0 0
To find gross, add $\frac{1}{4}$ ($\frac{1}{5}$ gross is deducted from gross to find rateable, see Table of Maximum Deductions)	= 7	0 0
Gross value . .	= £35	0 0

(For definitions of "Gross" and "Rateable," see § 450.)

483. Working in this way, it is not possible to find "gross" in the first instance, because "gross value" assumes the ordinary yearly tenancy, on which the tenant pays the rates, water rate and inhabited house duty, and these items could not be known without first arriving at a rateable value on which to calculate them.

484. This is a long process, and for all ordinary cases, and assuming the average annual gross rental received is not less than 90 per cent. of the rent roll, the following will give a sufficiently near result. When the rates are 6s. in the £, deduct 30 per cent. of the rent roll to find gross, and then deduct the statutory maximum deduction according to the table—Third Schedule to the Valuation (Metropolis) Act 1869—to find rateable. When the rates in the £ are more than 6s., deduct an extra 1 per cent. for each 6d. beyond 6s., calculating the deduction to the nearest complete £. Thus where the rates are 8s. in the £, deduct 34 per cent.

485. In making the statutory deduction, work to the nearest complete £; for example, if the gross is £35, then the $\frac{1}{5}$ maximum deduction is a level £7, and the rateable is £35 − £7, or £28. But if the gross is £36, then the nearest complete £ is also £7, and the rateable is £36 − £7 = £29.

486. No table or rule can be framed to meet all cases with perfect equality, but the above should be useful as a general guide, and gives sufficiently near results if properly applied. However, there are weekly properties *and* weekly properties, and our aim must be to arrive at gross and rateable values which comply with the statutory definitions.

487. Working the foregoing example according to this rule, we shall have :—

Gross rents on weekly tenancy per annum .	= £52
Deduct 34 per cent. = £17, 13s. 7d., say . .	= 18
Gross value	= £34
Deduct statutory maximum allowance for converting gross to rateable, $\frac{1}{5}$ or 20 per cent. .	= 7
Rateable	= **£27**

488. If we take another example, in which the gross rents on weekly tenancy are £39 per annum and the rates are 7s. 6d. in the £, the workings will be as follows :—

Gross rents per annum	= £39
Deduct 33 per cent. = £12, 17s. 5d., say	= 13
Gross value	= £26
Deduct $\frac{1}{5}$ to find rateable . . .	= 5
Rateable	= **£21**

PROPERTY LET ON YEARLY TENANCY.

489. **Question.**—WHAT IS THE PROPER ASSESSMENT FOR RATING PURPOSES OF A PROPERTY WHICH IS LET AT ITS FAIR RENTAL VALUE, VIZ., £80 PER ANNUM, ON YEARLY TENANCY? THE REPAIRS COST £12 PER ANNUM, THE INSURANCE COSTS £1 PER ANNUM, AND RENEWALS (OTHER EXPENSES NECESSARY TO MAINTAIN THE PROPERTY IN A STATE TO COMMAND THAT RENT) £2 PER ANNUM.

Solution.—Assuming this property to be situate in London, the workings will be as follows :—

Rental value on yearly tenancy per annum £80. Gross	= £80
Deduct maximum deduction according to Third Schedule Valuation (Metropolis) Act for gross values £40 and over $\frac{1}{6}$	= 13
Rateable . .	= **£67**

(For definitions of "Gross" and "Rateable," see § 450. For **Schedule of Maximum Deductions,** see Appendix B.)

490. *Notes on Question and Solution.*—But there is nothing in the question to suggest whether the property is situate within the Metropolis or outside. The question does not even use the terms employed in the Act relating to the Metropolis, and ask for "gross and rateable" values, but simply asks for the "proper assessment." The actual outgoings evidently exceed the maximum allowance according to the Valuation (Metropolis) Act, and if the property is outside the Metropolis the assessment will be slightly different, and the figures will be as follows :—

Rent on ordinary yearly tenancy equivalent to "gross estimated rental" per annum		= £80
Deduct—Average annual cost of repairs .	= £12	
Insurance	= 1	
Renewals	= 2	
		= 15
"Net annual value" . .		= **£65**

PROPERTY LET ON 3 YEARS' AGREEMENT.

491. **Question.**—WHAT IS THE GROSS AND RATEABLE VALUE OF A PROPERTY SITUATE IN LONDON LET ON 3 YEARS' AGREEMENT, UNDER WHICH THE LANDLORD DOES OUTSIDE REPAIRS AND THE TENANT DOES THE INSIDE REPAIRS AND INSURES? THE INSURANCE COSTS £1 PER ANNUM. THE RESERVED RENT IS £120 PER ANNUM.

492. **Solution.**—

Reserved rent		= £120
Additional rental which it may be assumed the tenant would be willing to pay if relieved of liability for internal repairs, say 5 per cent. on rent paid	= £6	
Insurance	= 1	
		= 7
Estimated "gross" value . .		= £127
Maximum deduction (Valuation (Metropolis) Act), $\frac{1}{6}$		= 21
Estimated rateable . . .		= £106

(For **Schedule of Maximum Deductions**, see Appendix B.)

493. *Notes on Question and Solution.*—The terms stated in the question are not quite those of the yearly tenancy or gross value, in that the tenant does part of the repairs and pays the insurance premium. The tenant undertakes liabilities which are estimated to cost him £7 per annum. If the landlord discharged these outgoings, as in the case of the ordinary yearly tenancy, it may be assumed the tenant would be willing to pay the amount involved in additional rent, and therefore the £7 has been added to the £120 reserved rent to find the "gross."

PROPERTY LET ON REPAIRING LEASE.

494. **Question.**—WHAT ARE THE GROSS AND RATEABLE VALUES OF A PROPERTY WHICH IS LET ON ORDINARY REPAIRING LEASE AT A RENTAL OF £180 PER ANNUM? NO PREMIUM WAS PAID FOR THE LEASE, WHICH IS OF FAIRLY RECENT DATE, AND THE LESSEE HAS NOT COVENANTED TO MAKE ANY OUTLAY, BEYOND WHAT IS NECESSARY FOR THE ORDINARY UPKEEP, ON REPAIRS, ALTERATIONS, OR ADDITIONS. THE LESSEE BEARS THE FOLLOWING NECESSARY OUTGOINGS:—REPAIRS £25 PER ANNUM, INSURANCE £2 PER ANNUM, AND HE PAYS ALL RATES, TAXES, AND ASSESSMENTS.

495. **Solution.**—The method of calculating the gross and rateable in such circumstances as advised in the resolutions of the Assessment Conference for the case of leases granted not more than 5 years prior to date of assessment of properties coming within classes 1, 2, 3, 4, and 5 of the Third Schedule to the Valuation (Metropolis) Act would show the following steps:—

Rental reserved in lease per annum	= £180
Add 10 per cent.	= 18
Gross . . .	= £198
Deduct maximum deduction according to the Third Schedule Valuation (Metropolis) Act, $\frac{1}{6}$ . .	= 33
Rateable . .	= £165

(Resolutions, Appendix B.)

496. Departing from the course advised by the Assessment Conference resolutions, the figures might be as follows:—

Reserved rent per annum		= £180
Add repairs	= £25	
Insurance	= 2	
		27
Rent which it is estimated a tenant would pay who did not undertake the obligation of repairs and insurance, if he paid all tenant's rates and taxes, equivalent to gross		= £207
Maximum deduction to find rateable, $\frac{1}{6}$ . . .		= 34
Rateable . . .		= £173

497. *Notes on Question and Solutions.*—The application of the course recommended by the Assessment Conference is considerably in the interests of the lessee and ratepayer in this case, the rateable value arrived at by that process being £165 as against £173. If the actual outgoings had been repairs £16, less than 10 per cent. of the reserved rent, and insurance £2, then the result would be the same either way. The cost of repairs dictated by the question is rather higher than that usually assumed in the absence of definite information, viz., 10 per cent. or £18, which, with the insurance £2, would give £20 as the amount to be added to the reserved rent £180 to find the gross, in that case £200, from which, when the $\frac{1}{6}$ deduction had been made, the rateable value arrived at would be £167.

Property Leased at Low Rental.

498. **Question.**—Assess for Rating Purposes the Following Property:—A Residence Let on a Repairing Lease 15 Years ago, for 45 Years at a Rental of £95

PER ANNUM. THE LESSEE ACCEPTED THE PROPERTY IN A VERY DILAPIDATED CONDITION AND PUT THE PREMISES IN REPAIR AT HIS OWN EXPENSE: THE WORK COST £120. HE (THE LESSEE) ALSO MADE SOME ADDITIONS, WHICH COST HIM A FURTHER SUM OF £500. THE NEIGHBOURHOOD HAS NOT BEEN PROSPEROUS AND PROPERTY GENERALLY HAS DETERIORATED, HOUSES WHICH 15 YEARS AGO LET READILY AT £100 PER ANNUM NOW FETCHING ON AN AVERAGE £90 PER ANNUM.

499. **Solution.**—Rental value 15 years ago, when lease was granted, per annum . . . . = £95

Outlay on repairs, taking the place of a premium, £120. £120 spread over 45 years at 5 per cent. = £120 ÷ 17·8 years' purchase . . . . = £6·74

Expenditure on improvements, £500, spread over 45 years at 6 per cent. = £500 ÷ 15·6 years' purchase . = 32·05

= £38·79

Estimated annual value at date of grant of the lease . . . . . = £133·79

Depreciation in property since grant of the lease, 10 per cent. . . . . = 13·38

Estimated present annual value on lease . = £120·41

Add 10 per cent. to find gross . . . . . = 12·04

Estimated "gross" value . . . . = £132·45

Deduct maximum deduction $\frac{1}{6}$ . . . . = 22

Estimated rateable value, say . . . = £110

500. *Notes on Question and Solution.*—In the foregoing solution the outlay in repairs which virtually took the place of a premium has been spread over the term of the lease on the 5 per cent. table, and the outlay in improvements has been spread over the term on the 6 per cent. table, because the particulars give no information from which an estimate of the effect of the outlay on annual value can be gauged. The rates recommended are from 4 per cent. to 7 per cent., and this property apparently not being the extreme in either direction, a middle course has been pursued.

In all cases, but especially in the case of leases not recently granted, the reserved rent should be reviewed. In this case there has been a general depreciation in the district, and this has been taken into account.

ROW OF SIMILAR HOUSES.

501. **Question.**—WHAT ARE THE GROSS AND RATEABLE VALUES OF A RESIDENCE (ONE OF A ROW OF SIX SIMILAR HOUSES) WHICH IS LET AT £55 PER ANNUM ON YEARLY TENANCY? THE OTHER HOUSES ARE VARIOUSLY LET AT £52, £50, £50, £48, AND £45.

502. **Solution.**—Following the Assessment Conference resolutions, the average rent of these six houses should be taken as the rental value. The average is £50.

Estimated rental value on yearly tenancy equivalent to gross	= £50
Deduct maximum deduction, $\frac{1}{6}$	= 8
Rateable . .	= **£42**

503. *Notes on Question and Solution.*—The assumption that the average is the nearest measure of annual value obtainable is reasonable, supposing all the lettings to be of about equally recent date, but the latest letting would appear to be the best test of value at any given time, although of course not necessarily so. The question is one which needs consideration in the light of the circumstances surrounding the case. Suppose the house let at the higher rental, £55, is held by a tenant of old standing, and a review of the circumstances shows that the lettings at £50, £48, and £45 per annum followed each other, the letting at £45 being of quite recent date. The circumstances would seem to suggest that £45 per annum was the fair present annual value on yearly tenancy.

ASSESSMENT ON THE CONTRACTOR'S THEORY.

504. **Question.**—ESTIMATE THE GROSS AND RATEABLE VALUE OF A TOWN HALL AND PUBLIC OFFICES (EXPENSIVE CLASS OF BUILDING) IN A VERY IMPORTANT POSITION; THE PRESENT CAPITAL VALUE OF THE LAND OCCUPIED IS £24,000, AND THE PRESENT VALUE OF THE BUILDINGS £96,000. THE PROPERTY IS WITHIN THE METROPOLITAN AREA.

505. **Solution.**—The land being in a very important position, 3½ per cent. on the value of the land may be taken as representing the gross value of the land, and, as the buildings are described as of an expensive class, 5 per cent. on capital value may be adopted in finding the gross annual value attributable to the buildings. (**Contractor's Theory,** see § 466.)

£24,000 at 3½ per cent.	= £840
£96,000 at 5 per cent.	= 4800
Gross value . .	= £5640
$\frac{1}{6}$ deduction	= 940
Rateable . . .	= **£4700**

506. *Notes on Question and Solution.*—The foregoing is given as an example of the application of the rule advised by the Assessment Conference, which is as follows:—"That public buildings (including workhouses, town halls, public libraries, baths, wash-houses, public conveniences, and hospitals) should be assessed at a gross value, calculated at 3, 3½, or 4 per cent. on the present value of the land and 5 per cent. on the value of the buildings erected thereon."

Obviously, particulars given would have to be very full and exactly locate the property to enable anything like a reliable result to be arrived at. The example will, however, serve to impress the rule.

It will be noted that as regards buildings on the site, the resolution suggests, as a means of calculating gross, 5 per cent. on capital value, whether they be workhouses, town halls, public libraries, schools, baths, wash-houses, public conveniences, or hospitals. This does not appear equitable, and it is thought that the percentage should be on a sliding scale according to the class of building.

507. **Premises Occupied by the Owner, the Letting Value of which has not been Tried.**—NOTE: No example of the assessment of stores or other premises erected and occupied by the owner, and the letting value of which has not therefore been tried in the market, on the basis of comparison with other similar premises, has been given, as such an example would not appear to serve any useful purpose. (See § 463 (*c*).)

ADVERTISING STATIONS.

508. **Question.**—A PERMANENT ADVERTISING HOARDING IS LET AT £25 PER ANNUM. IT IS ON FRAMING ERECTED AT THE END OF THE GARDENS OF PREMISES OVERLOOKING A RAILWAY. HOW SHOULD IT BE ASSESSED FOR RATING PURPOSES, AND WHAT WILL BE THE LIABILITY TO PAY RATES IN RESPECT OF IT?

509. **Solution.**—Strictly, according to the Advertising Stations Act 1889, the premises and the hoarding should be assessed together, but the authorities usually rate them separately. The resolutions of the London Rating Authorities recommend that course. (See § 421.)

Assessing the advertising station separately from the premises, the assessment will be arrived at as follows:—

Rental arising from advertising station per an., gross	= £25 0 0
Repairs 5 per cent.	= 1 5 0
Rateable . .	= £23 15 0

510. *Notes on Question and Solution.*—An allowance of 5 per cent. for repairs has been made because the advertising station is a perma-

nent one and there is a structure which will have to be kept in repair. In the case of temporary hoardings no allowance for repairs would be necessary: gross and rateable would be identical. (See § 421.)

FLATS.

511. **Question.**—AT WHAT GROSS ESTIMATED RENTAL AND NET ANNUAL VALUE SHOULD A BLOCK OF FLATS SITUATE IN A GOOD SUBURB BE ASSESSED, THE PARTICULARS BEING AS FOLLOWS:—THERE ARE TWELVE SUITES OF ROOMS WHICH LET AT RENTS AVERAGING £60 PER ANNUM EACH, INCLUSIVE RENTALS; THE RATES IN THE DISTRICT ARE 6S. 8D. IN THE £; IT CAN BE SHOWN THAT THE AVERAGE GROSS INCOME IS 90 PER CENT. OF THE RENT ROLL; THE LIGHTING, HEATING, AND CLEANING OF GENERAL STAIRCASE, ETC., AND THE POWER FOR LIFT COSTS £30 PER ANNUM; A LIFTMAN AND ATTENDANT IS KEPT AND PAID 25S. PER WEEK AND HAS ROOMS ALLOTTED TO HIM; THE MANAGEMENT COSTS £36 PER ANNUM; THE AVERAGE ANNUAL REPAIRS COST £60 PER ANNUM, AND FIRE INSURANCE £3, 15S. PER ANNUM?

512. **Solution.**—

Gross rent roll per annum . .		= £720 0 0	
10 per cent. deduction to produce the proved average annual gross income .	=	72 0 0	
Average annual rental, gross . .			= £648 0 0
Deduct all outgoings except rates, water, and inhabited house duty, which, being calculated on gross or rateable value not yet known, cannot now be determined:—			
Lighting, heating, and cleaning of general staircase and power to work lift per an.	=	£30 0 0	
Liftman and attendant at 25s. per week . . .	=	65 0 0	
Management per annum .	=	36 0 0	
		= £131 0 0	
Repairs per an. . = £60 0			
Insurance . . = 3 15			
Maintenance 2½ per cent. on rent roll . = 18 0			
	=	81 15 0	
			= 212 15 0
Net annual value plus rates, inhabited house duty, and water rate			= £435 5 0

Local rates . .	6s. 8d.	in £ rateable
Water 5 per cent. .	1s.	,,
I.H.D. (on gross) 9d. =	10½d.	,,
	8s. 6½d.	

28·505 : 20 :: 435·25 : rateable = £305·385.

Now, working on the calculated rateable value—

Gross rental received in an average year per annum				= £648	0 0
All outgoings except repairs, insurance, renewals, or maintenance.					
Lighting, heating, and cleaning of general staircase, hall, etc., and power for lift .	=	£30	0 0		
Liftman and attendant . .	=	65	0 0		
Management	=	36	0 0		
Rates at 6s. 8d. on calculated rateable, £305·385 .	=	101	15 10		
I.H.D. 9d. on gross (10½d. on rateable) . . .	=	13	5 10		
Water 5 per cent. on rateable .	=	15	3 4		
				= 261	5 0
Gross estimated rental . . .				= £386	15 0
Repairs, insurance, and renewals or maintenance				= 81	15 0
Estimated net annual value . .				= **£305**	**0 0**

513. *Notes on Question and Solution.*—In this case, not being in possession of the amount of rates, water rate, and inhabited house duty, which indeed we naturally should be without, since it is the gross estimated rental and the net annual value we have to calculate, and the amounts attributable to the items mentioned depend upon the assessment, we have first found a net annual value plus rates, house duty, and water rate, by deducting from the average annual gross rent received all actual outgoings not dependent upon the assessment. We have then calculated the net annual value and the amount of rates, inhabited house duty, and water rate on the basis of that assessment. Working again from the rents received, we have been able to find "gross estimated rental" and "net annual value," which are borne out by the earlier calculations.

Had the property been within the Metropolis, the method of assessment suggested by the resolutions of the London Rating Authorities would show the following:—

Rents received	= £648
Deduct 33⅓ per cent.	= 216
Gross	= £432
Deduct ⅙	= 72
Rateable	= £360

But working up the outgoings as given in question on these assessments we should arrive at the following result:—

Rentals per annum			= £648 0 0
Deductions other than repairs, insurance, and maintenance:—			
Lighting, heating, and cleaning general staircase and power for lift per annum	= £30 0 0		
Liftman and attendant	= 65 0 0		
Management	= 36 0 0		
Rates at 6s. 8d. in £ on £360	= 120 0 0		
I.H.D. 9d. on gross £342	= 16 4 0		
Water 5 per cent on rateable	= 18 0 0		
			= say 285 0 0
Gross, say			= £363 0 0
Rateable, say			= £303 0 0

This calculation shows that, having regard to the actual outgoings, the gross and rateable values calculated by first allowing 33⅓ per cent. from the average annual gross rental income and then deducting 16⅔ per cent. from the balance, which is equivalent to deducting 44·44 per cent. of the original sum, the assessments would be much too high and the ratepayer would be paying too much in rates, water, and inhabited house duty.

However, the resolution contains the following qualifying recommendation:—"Provided that where these percentages are alleged to be insufficient, the landlord's actual outgoings (other than in respect of repairs, maintenance, and insurance) shall be deducted in order to obtain the gross value."

But the actual outgoings in rates, inhabited house duty, and water which must be deducted with other actual outgoings, except those for repairs, insurance, and maintenance, to find gross are unknown quantities until gross and rateable values have been found, and it is therefore difficult to apply the suggestion, and in view of the provision in the Third Schedule of the Valuation (Metropolis) Act 1869 as follows:—"The maximum rate of deduction prescribed in the Schedule shall not apply to houses or buildings let out in separate tenements, but the rate of deductions in such cases shall be deter-

mined as in Classes 9, 10, and 11," it would appear correct to obtain the assessment on the basis suggested in the solution to the question.

514. There is instruction in examining the case further.

The Assessment Conference Resolutions suggest an allowance of $33\frac{1}{3}$ per cent. off the rents received from flats, to arrive at the gross value. This allowance of $33\frac{1}{3}$ per cent., presumably, is to cover all outgoings, except repairs, insurance, and maintenances, for the rateable is, according to the resolutions, to be found by deducting from the gross the usual maximum deductions. As we have seen, proceeding in that way, we obtain gross £432 and rateable £360—values which are too high having regard to all the circumstances.

However, a calculation of "gross" on the basis of actual outgoings may be made as will now be indicated. The resolutions are not definite as to whether the average annual gross rental receipts are to form the basis of calculation, but it would seem only reasonable that they should, as the comparison between the rent roll and actual annual gross rental income from different properties of this class cannot give anything like a uniform result.

Now, if we are to find a gross value on the basis of actual outgoings and a rateable value equal to $\frac{5}{6}$ of the gross, we can work as follows:—

From the income per annum			= £648
Deduct for lighting, heating, and cleaning staircase and power for lift, per annum . .	= £30		
Liftman and Attendant	= 65		
Management	= 36		
		=	131
Gross plus rates, water and inhabited house duty .		=	£517

The rates, water rate, and inhabited house duty = 8s. 6½d. in the £.
$= \frac{43}{100}$ (with sufficient approximation)

Working on a round sum of £100, let x equal gross, then the rates will equal $100 - x$ and the rateable will equal $\frac{5x}{6}$; also the rates will equal $\frac{43}{100}$ the rateable value.

$$\text{Then } 100 - x = \frac{43}{100} \times \frac{5x}{6}$$

$$100 - x = \frac{215x}{600}$$

$$\therefore \quad x = 73{\cdot}6$$

which gives us a "gross" for each £100 of, say, £74.

Our amount is £517.

£74 × 5·17 = £382·58, say, gross, £383.
rateable, £319.

It will be seen that this gives a result, as far as gross is concerned, very closely approximating to that found in the solution to the question as set. The rateable value necessarily differs because the allowance of $\frac{1}{6}$ gross is less than the actual outgoings on repairs, insurance, and maintenance stated in the question and adopted in the solution.

The last calculation shows how a "gross" value may be found on the basis of actual outgoings, when we are tied to a maximum deduction so far as the items repairs, insurance, and maintenance are concerned.

Fixtures and Machinery.

515. **Question.**—What is the Gross and Rateable Value of Business Premises held on Lease for 45 Years (40 Years Unexpired) at a Rental of £750 per annum, a Premium of £1000 having been Paid by the Lessee, who has set up Fixtures and Machines the Cost of which if carried out at the Present Time would (it is estimated) be £1170? The Whole is not now in Working Order. It would cost £120 to Remedy the Defects which Depreciate the Utility of the Machines.

Solution.—Rental reserved in lease per annum . . . . = £750
Premium paid for 45 years' lease, £1000 ÷ 17·774 (5 per cent.), say . . . . . = 56

= £806
Add 10 per cent. . . . . = 80

Estimated gross rental value of premises apart from fixtures . = £886
Gross less $\frac{1}{6}$ gross = rateable value of premises apart from fixtures . . . = £738

Estimated present cost of fixtures and fittings = £1170
Deduct for depreciation affecting the utility of the fixtures, etc. = 120

= £1050

6 per cent. on £1050 = gross enhancement arising out of fixtures . = 63
Gross less $\frac{1}{3}$ gross = rateable . . . . . = 42

Gross = £949. Rateable = £780
320

MONOPOLIES, RAILWAYS, GAS, WATER, ELECTRIC LIGHT, AND OTHER UNDERTAKINGS.

516. **Question.**—PREPARE AN ASSESSMENT FOR RATING PURPOSES OF A PART OF A RAILWAY LYING IN THE PARISH OF "AB." THE PARTICULARS ARE AS FOLLOWS:—GROSS RECEIPTS, £56,825; WORKING EXPENSES, £7500; LOCOMOTIVE, CARRIAGE, AND WAGON EXPENSES, £2325; TRAFFIC CHARGES, £9360; GENERAL AND LAW CHARGES, £1850; GOVERNMENT DUTY, £108. ALLOW 7 PER CENT. ON GROSS RECEIPTS FOR RENTAL OF THE INDIRECTLY PRODUCTIVE PROPERTY SEPARATELY ASSESSED, REPAIRS AND INSURANCE THEREOF, AND RATES AND TAXES THEREON. ALLOW FOR DEPRECIATION OF STOCK £2500. TENANT'S CAPITAL £50,000, INTEREST 5 PER CENT., RISKS AND CASUALTIES 2½ PER CENT., TENANT'S SHARE 10 PER CENT. ON CAPITAL. STATUTORY DEDUCTIONS—MAINTENANCE OF PERMANENT WAY, RENEWALS, AND INSURANCE, £1400; RATES AND TAXES, 5S. IN THE £.

517. **Solution.**—

(*a*) *The Directly Productive Property.*

Gross receipts		= £56,825
General Deductions:		
Working expenses	= £7500	
Locomotive, carriage, and wagon expenses	= 2325	
Traffic charges	= 9360	
General and law charges	= 1850	
Government duty	= 108	
Rates and taxes at 5s. on the rateable value, £15,244, calculated as indicated below	= 3811	
		= 24,954
		= £31,871
Allowance of 7 per cent. on gross receipts for rental, repair, and insurance of, and rates on the indirectly productive property (stations, etc.) separately assessed		= 3977
		= £27,894

Brought forward . . = £27,894

Tenant's Deductions:

(*a*) Depreciation of stock . . . = £2500
(*b*) Interest on capital 5 per cent.
(*c*) Risks and casualties 2½ ,,
(*d*) Tenant's profit 10 ,,

17½ ,,

17½ per cent. on £50,000 . . . = 8750

= 11,250

Gross . . = £16,644

Landlord's Deductions:

Statutory deductions—maintenance of permanent way, renewals, and insurance . . . . = 1400

Rateable . . . = £15,244

The rates and taxes have been calculated as follows:—

Gross receipts as above . . = £56,825

Deduct:—

All general, tenant's, and statutory deductions as above, except rates and taxes . . . = 37,770

Rateable plus rates and taxes . = £19,055

Then, by proportion, the rates being 5s. in the £ rateable

25 : 20 : : 19,055 : rateable

∴ rateable = £15,244

(*b*) *The Indirectly Productive Property.*

The question does not give sufficient particulars for the assessment of the stations, etc. They would be assessed separately on the basis of the contractor's theory. Four per cent. on the capital value of the land obtained from the area and price per foot super, plus 5 per cent. on the value of buildings ascertained from their cubic capacity and price per foot cubic, would give rateable value, and this plus an allowance for repairs, insurance, and maintenance would give the gross value.

518. *Notes on Question and Solution.*—A railway company is tenant as well as owner of the property comprising the railway, in the same way that a man may be tenant as well as owner of his house. In the case of assessment for rating purposes, the sole question for us is what rent would the company be prepared to pay as tenants of the railway?

The only object of being tenant of a railway is to reap any profit which can be made from working it. The rent, then, which any tenant would pay for any particular railway depends upon what money will be left after deducting from all takings, all outgoings, plus a percentage on the capital involved sufficient to meet interest on that capital, to make allowance for casualties, and leave a margin of profit.

The tenant of the railway has to occupy two classes of rateable property: (*a*) that over which the profit-earning work is done (the working line); (*b*) that which he must hold in order that he may run the line, but which, so far from adding directly to the earnings, constitutes an unavoidable expense.

The two parts of the property, the directly productive and the indirectly productive, are assessed separately, consequently in working up a rental value or assessment on the basis of the profits which can be earned, the part of the property over which the profit is earned is treated as of value to the tenant, as indeed it is, and the part which, so far from directly contributing to the earnings, is an unavoidable expense, is treated as of no value in the assessment of the line on the basis of profits, but as an outgoing, as in fact it is from that point of view.

Looking at the concern as a whole, the company is the poorer for having to hold the stations, and as the property is being assessed in two parts, from the one part—the part over which the profit is earned—we must actually deduct the rental value and other expenses involved in holding the other part.

In separately assessing the other part, the indirectly productive property, we have to consider what rent the hypothetical tenant of the line would give for it, as a necessary although an unprofitable part of the whole, and this we do on the contractor's theory for the want of a better method. (**Contractor's theory**, see § 466.)

If the steps in the example are traced, it will be seen we have given effect to the foregoing considerations. We have ascertained the gross receipts; from these we have subtracted all the general outgoings, including the rental, repair, and insurance of, and rates on the indirectly productive property, then we have subtracted tenant's deductions, representing an allowance for depreciation of stock, interest on capital, risks and casualties, and tenant's profit, and thus we have found gross value. Finally, we have subtracted landlord's deductions, viz., deductions for maintenance, renewals, and insurance of the property assumed to be let, of which we assume the company tenant, and the rental value of which we have set ourselves to assess.

Other properties occupied for monopolies would be assessed in a similar manner, and if the principles underlying the foregoing example are thoroughly understood, it will serve as an illustration of the method to be employed in the case of gas, water, electric light, and other undertakings.

LICENSED PREMISES.

Assessment of Premises Licensed for the Sale of Intoxicating Liquors.

519. **Question.**—What should be the Assessments, Gross and Rateable, of Licensed Premises which Let at £152 per annum, and for which £1000 Premium is Paid for a 21 Years' Lease?

Solution.—Rental per annum . . . . . = £152
Half premium £500 ÷ 12·8 years' purchase . . . = 39
= £191
Add 10 per cent. . . . . = 19
Gross . . . = £210
Deduct $\frac{1}{6}$ . . . . . = 35
Rateable . . = £175

520. **Question.** — A Public House is held on Building Lease now 35 Years Unexpired at a Ground Rent of £20 per annum. If the Property were in the Market the Lessee could Sell the Lease for £2800. The Present Value of the Buildings, Calculated on the Basis of the Cubic Capacity with Proper Allowance for Age and General Condition, is £1260.

Solution.—Ground rent reserved in building lease per annum . . . . . = £20
Present value of buildings £1260 at 6 per cent. per annum = £75·12, say, per annum . . . = 75
= £95
Price which could be obtained for lease . = £2800
£75 per annum for 35 years at 6 per cent. = £75 at 14·5 years' purchase . . = .1087
Premium which would be paid . . = £1713
Half premium £856 spread over 35 years at 5 per cent. = £856 ÷ 16·4 years' purchase . . . = 52
Gross . . . = £147
Deduct $\frac{1}{6}$ . . . . . = 24
Rateable . . = £123

521. *Notes on Foregoing Questions and Solutions.*—The foregoing examples seem sufficiently to illustrate the Assessment Conference resolutions with regard to the assessment of licensed property.

The resolutions are as follows :—

(*a*) In the case of freehold public-houses, beerhouses, and other licensed premises, 4 per cent. on the present value of the land, together with 6 per cent. on the present value of the building, shall be taken as the rent, and that, together with 5 per cent. on half the premium which would be given for the premises and business subject to such rent, shall be taken as indicating the gross value.

(*b*) In the case of public-houses, beerhouses, and other licensed premises, held on building lease, the ground rent, together with 5 per cent., 5½ per cent., 6 per cent., or 7 per cent. on the present value of the building, shall be taken as the rent, and that, together with 5 per cent., calculated on the basis of "Table C" on half the premium which would be given for the premises and business, shall be taken as indicating the gross value.

(*c*) Where public-houses, beerhouses, and other licensed premises are held on an ordinary repairing lease, the rent reserved, together with a proportion of any structural outlay incurred by the lessee, and a proportion of half the premium, both proportions calculated in accordance with "Table C," with 10 per cent. added, shall be taken as indicating the gross value.

(*d*) In the case of a licensed house alleged to be subject to a tie, the rent reserved to the brewer may be disregarded, and the annual value should be calculated at not less than the annual rent which would be given for it as a free house in arriving at the gross value; and grocers' off-licenses should be dealt with on the same principles so far as the premium or selling value can be ascertained. That, as an alternative, licensed premises, with the exception of those licensed since 1st January 1905, should be assessed on the basis of the trade done.

(*e*) Where the license has been granted since the commencement of a holding, and no premium paid therefor, the increase in value shall be estimated, and in cases where houses are let by brewers or other firms to annual tenants and no premium or other consideration is paid, the fact of a license being attached to the premises shall be taken into consideration, and the annual value shall be calculated at not less than the annual rent which would be given for it as a free house in arriving at the gross value.

The only alternative to assessing on the basis of rental and premium, which it is often very difficult to arrive at, is to assess on the basis of profits, but, as indicated in paragraph (*d*) of the above quoted resolutions, this does not apply in the case of houses newly licensed since 1st January 1905.

522. The following quotation from the Licensing Act 1904 will explain the reason for the exception :—

Section 4, *subsection* 2.—"The Justices, on the grant of a new on license, may attach to the grant of the license such conditions, both as to the payments to be made and the tenure of the license and as to any other matters as they think proper in the interests of the public; subject as follows:—

"(*a*) Such conditions shall in any case be attached, as having regard to proper provision for suitable premises and good

management, the justices think best adapted for securing to the public any monopoly value which is represented by the difference between the value which the premises will bear, in the opinion of the justices when licensed, and the value of the same premises if they were not licensed: Provided that, in estimating the value as licensed premises of hotels or other premises where the profits are not wholly derived from the sale of intoxicating liquor; no increased value arising from profits not so derived shall be taken into consideration:

"(*b*) The amount of any payments imposed under conditions attached in pursuance of this section shall not exceed the amount thus required to secure the monopoly value."

The process in such circumstances is to assess the premises to annual value as though unlicensed, and then to add to the value so found the annual amount payable on grant of the license for the monopoly fixed by the justices under the above section.

LICENSED PROPERTY ASSESSMENT ON THE BASIS OF PROFITS.

523. **Question.**—WHAT ARE THE GROSS AND RATEABLE VALUES OF A LICENSED PROPERTY OF WHICH THE FOLLOWING ARE PARTICULARS: — TAKINGS PER ANNUM £1960, ALL PURCHASES OF BEER, WINE, SPIRITS, CIGARS, ETC. ETC., AFTER ALLOWING USUAL DISCOUNT, £920, LICENSE DUTY HALF GROSS VALUE, RATES AND TAXES 8S. 6D. IN £ RATEABLE, WATER 5 PER CENT. ON RATEABLE VALUE, LIGHTING AND HEATING £48, FUND TO MEET WEAR AND TEAR ON FURNITURE, FITTINGS, AND ARTICLES USED IN THE BUSINESS, £20, BOARD AND WAGES OF TENANT AND EMPLOYEES £280, VALUE OF STOCK £350, VALUE OF FURNITURE FITTINGS, AND OTHER TRADE ITEMS, £250, WORKING CAPITAL £750?

524. **Solution.**—Gross receipts per annum . . = £1960

General Deductions:

Purchases, less discount	= £920	
License duty	= 148	
Lighting and heating	= 48	
Board and wages of tenant and employees .	= 280	
Rates and taxes 8s. 6d. in £ on rateable, £247, calculated as indicated below .	= 105	
Water 5 per cent. on rateable, £247 . .	= 12	
	——	= 1513
		= £447

Brought forward . . . = £447

Tenant's Deductions:

(*a*) Depreciation and renewals . . . = £20
(*b*) Interest on capital . 5 %
(*c*) Risks and casualties . 2½%
(*d*) Tenant's profit . . 10 %

17½% on £750 = 131 = 151

Gross . . = £296

$\frac{5}{6}$ of gross £296 = Rateable . . = £247

The rates, water rate, and duty have been calculated as follows:—

Gross receipts as above . . . = £1960

Deduct:—

All general and tenant's outgoings except rates, water-rate, and license duty . . = 1399

Gross plus rates, water rate, and license duty . . . . = £561

Let x = gross

$561 - x$ = rates, water rate, and license duty

$$561 - x = \frac{9{\cdot}5}{20} \times \frac{5}{6}x + \frac{x}{2}$$

$$561 - x = \frac{47{\cdot}5x}{120} + \frac{x}{2}$$

$$67320 - 120x - 60x = 47{\cdot}5x$$

$$67320 = 47{\cdot}5x + 120x + 60x$$

$$67320 = 227{\cdot}5x$$

$$x = \frac{67320}{227{\cdot}5}$$

$$= 296$$

Gross . . . . . = £296
Rateable $\frac{5}{6}$ gross, say . . . . . = £247
Duty half gross . . . . . = £148

525. The Finance (1909–10) Act 1910 fixed the duty on publican's licenses at half the ANNUAL VALUE of the licensed premises subject to a minimum duty under Scale 3.

The following quotation from the Revenue Act 1911 will define "annual value" for this purpose.

The Revenue Act 1911, section 8, subsection 1, defines annual

value as follows:—"The annual value of any premises for the purpose of the duty on any excise license charged by reference to annual value shall be in England and Scotland.

"(*a*) The inhabited house duty value, if there is such a value applicable; and

"(*b*) in the case where there is no inhabited house duty value applicable, the income tax value if there is such a value applicable; and

"(*c*) if there is neither an inhabited house duty nor an income tax value applicable, the annual value as determined by the Commissioners of Customs and Excise in accordance with the Acts relating to excise, but having regard in all cases to any decrease in the annual value resulting from any increase under the provisions of the principal Act in the license duty.

"For the purposes of this provision the inhabited house duty value means the value as adopted for the purpose of inhabited house duty, the income tax value means the value as adopted for the purposes of income tax under Schedule A of the Income Tax Act 1853, and the inhabited house duty value or the income tax value, as the case may be, shall be deemed to be applicable if the premises to which a value is attached for the purposes of those duties or either of them correspond with the premises the annual value of which is required for the purpose of the charge of the duty on the license, except in cases where it is shown to the Commissioners of Customs and Excise that in the determination of the inhabited house duty value or income tax value, as the case may be, no regard has been had to any decrease in the annual value resulting from any increase under the provisions of the principal Act as amended by this Act in the license duty."

For the full Scale of duties see First Schedule Finance (1909–10) Act 1910.

CHAPTER XII.

COMPULSORY PURCHASE AND COMPENSATION.

526. Introductory Note. 533. Compulsory Sale, General Principles of Valuatio . Apply. 534. Special Considerations. 535. Purchase Under Statute. 541. Sale Compulsory. 542. Value to Owner Versus Ordinary Market Value. 543. Compensation to Cover all Loss, not Merely Value of Real Property Taken. 545. Reinstatement Principle. 546. Land Held for Same Common Purpose. Depreciation in Value by Severance. 547. Intersected Lands. 548. Part Only of a House or Building. 549. Costs. 550. Betterment. 551. Compensation for Damage Where no Land of Owner is Taken. 552. Purchase from Owners Under Legal Disability. Absent Owners, Common Rights, Pre-emption. 553. Short Extracts from Public Statutes—Metropolitan Paving Act. 554. Lands Clauses Consolidated Act. 555. Housing of the Working Classes Act. 556. Public Health Acts. Housing, Town Planning, etc. Act. 557–562. Examples and Notes on Solutions. 563. Schedule.

526. **Introduction.**—The Law of Compensation as a whole can be usefully dealt with only in a considerable work devoted to it, but there are points in the law, and other considerations, which are very directly concerned with the actual assessment of compensation, and which must be kept well before the valuer's mind.

The object of this chapter will be to bring those points to the reader's notice in a form which will suggest how the general principles of valuation are to be applied in the assessment of compensation so as to take cognisance of them. Some other matters, perhaps not directly involved in the valuation, but which the valuer should be very familiar with, will also be referred to.

But before proceeding to any detail, a few words of general introduction will serve to clear the ground and aid an intelligent appreciation of what follows.

527. In order that public improvements may be carried out and advance made by the introduction of new railways, tramways, canals, gas and electric light works, and other undertakings, the owners of land affected must be prepared to part with it. No one can be compelled to sell his property unless that is necessary in the public interest, and no one can be authorised to acquire land compulsorily except by Act of Parliament. The parties concerned are entitled to have their views heard, and there is a tribunal, a Committee of the House of Commons, appointed, which hears objections to Bills introduced.

528. All public and semi-public undertakings are carried out by virtue of statutes known as Special Acts. The promoters of the undertaking introduce a Bill into Parliament; the owners of the properties affected may oppose and attempt to get it thrown out or modified, and the Bill, if it is passed in its original or amended form and becomes law, defines to whom the powers necessary for the undertaking are given, what property may be acquired, and the conditions attending its acquisition.

529. Similar undertakings are of course necessary in different parts of the country, but for each separate undertaking statutory powers must be obtained. The provisions which are necessary for giving the promoters the essential powers and at the same time protecting the owners whose property will be taken, apply, with some modification, to all similar undertakings. To meet this contingency, certain Acts, known as General Acts, have been passed which apply, unless and except so far as modified by the Special Act. There is a General Act which applies to all undertakings, the Lands Clauses Consolidated Act 1845, a General Act which applies specially to all railways, the Railways Clauses Act 1845, and so on, and so on.

The General Statute lays down the procedure, except so far as the Special Act may provide otherwise: its utility lies in the fact that it renders the Special Acts much shorter, as they can embody or exclude the whole or any

part of the procedure laid down in the General Act by mere reference to the statute or to certain sections of it.

530. Once a Special Act has been obtained, the position of the parties can only be determined by a reference to the statutes involved.

531. Having obtained powers, the promoters serve notices to treat on the owners of the land required, and the sale which follows may be either by agreement or compulsory. If the parties cannot agree as to the amount of compensation, disputes are settled by arbitration, jury trial, or justices, according to circumstances.

532. There are already in existence several public statutes under which local and imperial authorities may acquire land compulsorily for public purposes. It may be well to note that whilst the Special Acts obtained by the promoters of semi-public undertakings define the land which may be acquired for a specific purpose, the public statutes referred to, which may also be spoken of as Special Acts, give to the authorities power to take land in any part of the area they control.

533. **Compulsory Sale and Purchase — General Principles of Valuation Apply.**—When a private owner is compelled to give up his property for public or semi-public purposes, he is, of course, entitled to be fairly compensated. In some circumstances owners who have not been made to give up any property at all, or who have only been made to give up part of what they possess in the vicinity of the undertaking, are entitled to be compensated for injury to their property, or their remaining property.

Directing our reference for the moment to the case of the compulsory sale of property, it should be understood that the general principles of valuation as laid down in previous chapters apply. But in the case of assessing compensation, there are a number of considerations which are not connected with the case of sale and purchase as between willing vendors and willing purchasers. It is very important that these considerations should be perfectly

understood, and that they should be borne in mind by any one dealing with compensation cases. Probably the better way of impressing the special circumstances obtaining in compensation valuations will be first to set the points out briefly in tabulated form, and then to return and discuss what each point involves.

534. **Special Considerations.**—The special considerations referred to are as follows:—

(1) **The property is being acquired under an Act of Parliament.**
(2) **The sale is compulsory.**
(3) **The value to the owner, not the ordinary market value, has to be arrived at.**
(4) **The compensation must cover all loss, not merely the value of the real property taken.**
(5) **The special nature of the occupation of the property taken may necessitate the compensation being calculated on the reinstatement principle.**
(6) **An owner, some of whose land is taken, may hold other land for the same common purpose, which may be injuriously affected and depreciated in value by severance.**
(7) **The undertaking may have the effect of physically separating an owner's lands, and thus cause depreciation in the land which is not taken.**
(8) **The promoters may seek to purchase part only of a house or other building.**
(9) **The vendor will have to incur expense in being represented in connection with the sale and purchase.**
(10) **Betterment.**

We shall now proceed to consider what is involved in each of the points raised.

535. **(1) The Property is being Acquired under an Act of Parliament.**—The first consideration is the fact that the property is being acquired under an Act of Parliament. That Act will define what may be taken, and may contain provisions which seriously affect the amount which can be claimed and should be paid. The valuer will therefore at the outset make himself perfectly familiar with the Act in question, so far as its provisions do in fact affect the amount of compensation to be ascertained, and any particular procedure to be followed.

The statute cannot be dealt with here, the one under which the reader may act may not yet be in existence; but the brief references to the provisions in various public Acts, which are of particular interest to valuers, given at the close of this chapter, will indicate how important it is that the statute under which the property is being acquired shall be borne in mind. As will be seen, they make all the difference between including or excluding items from the claim.

When dealing with cases coming under any of the Acts referred to, the statute should be turned up and its provisions should be minutely followed.

536. **It will be understood that the provisions of the Lands Clauses Act 1845 govern all compulsory purchases authorised by Special Acts, except so far as the Special Act varies or excludes those provisions either by express words or general intendment. The valuer must therefore make himself familiar with the Lands Clauses Consolidated Act 1845, as being more or less applicable to nearly all cases. The Act is a very long one.**

537. **A point of great importance to the valuer, arising out of the fact that the purchase is under statute, is that his valuation must be the value at the date of the service of the notice to treat, and that anything done after that date which would affect value cannot be taken into account by him.**

This is the general rule, but some recent public statutes have precluded owners from deriving benefit from any dealings with the property after the date when the proposed project has been made public. This is one instance which points to the great importance of being acquainted with the Act under which the property is being taken.

538. Another matter to which attention may be drawn is that section xxxiii. of the Lands Clauses Act 1845 provides that before any arbitrator or umpire shall enter into the consideration of any matters referred to him, he shall, in the presence of a justice, make and subscribe a declaration (see § 554).

539. Still another point of importance is found in the fact that arbitrators and umpires under this Act are concerned only with finding the amount of compensation, and may not decide other matters.

540. Reference may also be made to the provisions of sections 34 and 51 to the effect that in the case of disputed compensation having to be settled by arbitration or jury trial, if a greater sum than that offered by the promoters is awarded they (the promoters) must pay all costs; but if the amount awarded is the same as or less than that offered, a moiety of the costs of the arbitrators or the jury and the inquiry, and the whole of their own costs, shall be borne by each side (§ 554).

There is a distinction of considerable importance between this provision and that contained in the Metropolitan Paving Act—Michael Angelo Taylor's Act (see § 553).

This is not a matter which affects value, but it is of course an element which must be considered in deciding whether to accept an offer or fight the case.

541. **(2) The Sale is Compulsory.**—As already pointed out, the exact position can only be defined in the light of the statute under which the land is being purchased, and

the General Act so far as applicable ; but apart from that, the fact that one party is compelling another and unwilling party to sell his property, suggests certain points which must be given due weight in assessing compensation. These points are :—

(a) The one compelled to sell is entitled to have the best value placed upon his property, which suggests that if there is reasonable doubt as to the price at which the property will sell, the doubt should be given in his favour. It likewise implies that deductions for repairs and outgoings should be treated in a fairly liberal spirit in the vendor's favour.

The value to the vendor, what he will lose in giving up the property, is what we should try to arrive at.

(b) The vendor may experience some difficulty in readily finding another suitable investment, and he may lose personal time and interest on capital, and incur expenses before he gets his money placed again. This suggests that something more than the mere bare value should be paid by the purchaser: there should be an addition to meet this contingency. Usually, 10 per cent. in the case of house property, and 25 per cent. in the case of agricultural land, calculated on the value of the interest in real property, is added to that value in ascertaining the compensation. But it should be noted that there is no statutory basis upon which this can be claimed ; it is merely a matter of usage. It should likewise be noted that in some of the public Acts there are express provisions against such addition being made (see § 555 [2(a)]).

542. (3) The Value to the Owner, not the Ordinary Market Value, has to be arrived at.—If an owner is

occupying his property in a manner to make it of special value to him, he is entitled to be compensated on the basis of that special value; thus he may be entitled to be compensated on a basis much above that employed in finding ordinary market value. The measure of value is not the value to any one, or the ordinary market value; it is the value to the owner who is being deprived of it.

543. (4) The Compensation must cover all Loss, not merely the Value of the Real Property Taken.—In compensation claims, the value of the real property acquired may not be the only item of claim by any means. Even in the case of a private house occupied by the owner, or a lessee whose claim is concerned, there will be considerable loss on such items as carpets, linoleums and other floor coverings, blinds, curtains, curtain poles, etc., and in the removal and refitting of gasoliers, electroliers, and the like, which, however, may not even be suitable or required for the premises to which the vendor removes. Probably other fittings may also be rendered of little or no value. Some expense, too, will be involved in removing to new premises.

544. In the case of business premises the loss is much aggravated; there is sure to be some disturbance of trade, and possibly the actual annihilation of the business. There will, too, be fixtures, machinery, fittings, and utensils of trade, and either these will be rendered useless or the removal and refitting of them will involve heavy loss. Again, there will be loss on stock, either through its having to be removed to other premises, in the process of which it may be damaged, or through its having to be sold off under compulsion at a considerable reduction in price.

The value of the business stationery, which will become of no use, and the cost of removal to other

premises, are also items which swell the loss which the vendor will suffer through having his real property taken from him.

545. (5) The Special Nature of the Occupation of the Property may Necessitate the Compensation being Calculated on the Reinstatement Principle.—In some cases, where occupation is of a special nature, the loss to the vendor can only be adequately measured by what it would cost to purchase other properties in the vicinity, clear the site of the buildings, and erect suitable premises. This is usually a very costly matter. The estimate can only be formed by ascertaining that property occupying a suitable site can be purchased, estimating the cost of acquiring it, adding to this the cost of clearing the site and erecting the new buildings, and then adding for loss sustained notwithstanding the reinstatement, expenses of removal, costs, etc.

546. (6) An Owner, some of whose Land is Taken, may hold other Land for the same common Purpose which may be Depreciated in Value by Severance.—As well as the loss of the property compulsorily purchased, an owner may hold other property for the same common object, which may be left on his hands. The value of this property to him may be greatly depreciated, and in that case he is entitled to be compensated for its depreciation as well as for that actually taken.

The owner in such circumstances is entitled to be compensated for the injury caused by the *working* of the undertaking as well as by its *construction.* Thus if the effect of the working of the undertaking is to draw custom away from shops "*held with*" other shops which are taken, the owner is entitled to be compensated for such loss; whereas if none of his property is taken and he suffers loss of trade from the *working* of the undertaking, he is not able to

recover anything. (See also compensation in cases in which none of the owner's land is taken, § 551.)

547. **(7) The Undertaking may have the Effect of physically separating an Owner's Lands, and may thus cause Depreciation in the Land which is not taken.**—When the taking of land for an undertaking has the effect of physically separating or severing the lands of an owner, sections 93 and 94 of the Lands Clauses Consolidated Act 1845 apply. These sections will be found quoted in § 554, which see.

The provisions referred to must be considered in determining the compensation which an owner who forgoes his rights under these sections should receive.

548. **(8) The Promoters may seek to Purchase Part Only of a House or other Building.**—The Special Act may give promoters power to acquire part of a house or other building compulsorily, but, failing this, section 92 of the Lands Clauses Consolidated Act 1845 will apply. This section is as follows:—"And be it enacted, that no party shall at any time be required to sell or convey to the promoters of the undertaking a part only of any house, or other building or manufactory, if such party be willing and able to sell and convey the whole thereof."

It must not be forgotten, however, that public Acts, such as the Metropolitan Paving Act 1817 and the Housing of the Working Classes Act 1890, are for the purpose to be regarded as the Special Acts. These statutes do empower the authorities to take part of a building (see §§ 553 and 555).

What is to be regarded as included in "house or other building or manufactory" should also be carefully noted. Part of the land on which a house stands, and even land adjacent and enjoyed with it, is to be regarded as part of the house for purposes of section 92 of the Lands Clauses Consolidated Act 1845.

If the promoters are seeking to take part of a house or other building and they have no special powers, it is optional with the owner whether he will keep all or sell all —he cannot make the promoters take all, but they in turn cannot make the owner sell part only. The point must not be lost sight of in any case in which a valuation of such property is involved. The promoters have the alternative of taking all or none, and this factor may have to be considered in assessing the value of the part to them, supposing it can be acquired by mutual agreement.

549. **(9) The Vendor will have to Incur Expense in being Represented in Connection with the Sale and Purchase.**—Where the fees and charges which an owner properly incurs in connection with the sale are not allowed as such, in justice to the owner, the compensation should be increased sufficiently to meet them.

550. **(10) Betterment.**—It is becoming more common for the Acts obtained by public authorities authorising improvements to contain provisions empowering them to impose Betterment Rates. Any effect the proposed works may have in increasing the value of the property left in the hands of an owner who has been compelled to sell some of his property must be left out of consideration in assessing the compensation to be paid for the property taken. He will be taxed for betterment when the effect of the improvement can be ascertained. (But see § 552 [2 (*b*)]).

The usual provisions with regard to betterment rates entitle all owners within the area affected to notice, when they may require the Local Government Board to appoint an arbitrator to ascertain the value of their properties before the improvement is made. After the improvement is completed and sufficient time has elapsed to allow of its effect being felt, another valuation is made by the authority carrying out the improvement, and betterment rates are imposed on the basis of the improved value, if any. If

the owner is dissatisfied he may apply to the Local Government Board for the appointment of an arbitrator to decide the matter.

551. **Compensation in Cases in which None of the Owner's Land is Taken.**—As well as the case of the owner some of whose land has been taken, there is that of the owner who, although not called upon to sell his property, nevertheless suffers injury. This case is, of course, distinct from the case of compulsory purchase: primarily the surveyor and valuer is engaged in ascertaining to what extent the property has been injured in value rather than in valuing it.

The chief points to be noted are:—

(1) Where the owner has not had any land taken, he cannot under the Lands Clauses Consolidated Act claim compensation for injury unless it is caused by the "construction" as distinct from the "working" of the undertaking.

(2) The injury need not be structural injury to buildings or land, but must amount to a physical interference.

(3) The question of how the compensation due may be recovered is hardly connected with its assessment, but perhaps it may be noted that in order that the compensation may be recovered under the Lands Clauses Consolidated Act the damage must arise from works authorised by the Special Act; it must be such that if the claimant could not claim under the Act he could claim in an action at law; the injury must be such as to affect the value of the interest in land owned by the claimant, and it must be the result of the construction of the works involved in the

undertaking, as distinct from depreciation in value arising as the result of its existence or the working of it.

(4) The provisions of the Special Act must be considered, as they may altogether alter the case. The foregoing notes suggest the positions of the parties under the Lands Clauses Consolidated Act 1845 without modification.

An example of departure from the provisions of the Lands Clauses Acts may be found in some of the special Acts authorising the construction of the London tube railways, which make the company liable for injury arising to private property from the "working of the line, lifts, etc."

(5) In any case in which a legal right has been disturbed by the construction of the line, the claimant will be entitled to be compensated for all injury he suffers in connection with his interest. Where therefore the surveyor, for example, finds injury arising out of the interruption of light to several windows, one only of which may be ancient, or any similar case of disturbance to a legal right, resulting also in interference with rights not established as legal rights, he should put the circumstances before his client's legal advisers, as there may at least be points of importance involved.

552. **Purchase from Owners under Disability. Deposit in the Case of Absent Owners, etc. Common Rights. Right of Pre-emption.**—Certain procedure is laid down by the Lands Clauses Consolidated Act 1845, applicable to the case of purchase from persons under disability; absent owners, the purchase of common rights; the exercise of the right of pre-emption, etc., but the

principle of valuation is not affected. The matter need not be pursued further here.

SHORT EXTRACTS FROM PUBLIC STATUTES.

The following short extracts from various Public Statutes will indicate distinctions which must be drawn when dealing with the question of compensation under them.

553. **The Metropolitan Paving Act 1817 (Michael Angelo Taylor's Act).**—The following distinctions of importance from the valuer's point of view may be drawn between the provisions of this Act and those of the Lands Clauses Consolidated Act 1845 :—

(a) **Part of a building may be taken;**

(b) **There is no choice of tribunal in case of disputed compensation. Jury trial alone is provided for;**

(c) **If the compensation awarded shall not exceed the sum previously offered, all the costs of the inquiry shall be paid by the claimant. Even if a greater sum is awarded the claimant still has to pay his own costs. The absence of any provision as to costs except that quoted, leaves the claimant in this unfortunate position.**

The Metropolitan Paving Act 1817, section 80, provides as follows :—"That for the improvement of streets and public places in the parochial or other districts within the jurisdiction of the Act, it shall and may be lawful to and for the Commissioners or Trustees or other persons having the control of pavements from time to time, and at times hereafter, to alter, widen, turn, or extend any of the streets or other public places . . . and to lengthen and continue or open the same from sides or ends of any streets or public places . . . into any other street or public place . . . and that if any houses, walls, buildings, lands, tenements, and hereditaments, or any part thereof shall be adjudged by the

said Commissioners . . . to project into, obstruct, or prevent them from so altering such streets . . . and that the possession, occupation, and purchase of such houses . . . will be necessary for that purpose, it shall and may be lawful to and for the said Commissioners . . . and they shall have full power and authority, to treat, contract, and agree, or to employ any person or persons to treat, contract, and agree with the several owner or owners . . . and to pay for the same such sum or sums of money as shall be agreed upon by the said Commissioners . . . "

Section 82 :—". . . If anybody interested in any such houses . . . shall refuse to treat or agree, or shall not agree, or by reason of absence or disability cannot agree with the said Commissioners . . . for the sale and conveyance of their respective estates and interests therein, or cannot be found or known, or shall not produce and evince a clear title to the premises they are in possession of . . . to the satisfaction of the said Commissioners . . . then and in every case it shall be lawful for the said Commissioners . . . to issue a warrant to the Sheriff to impanel . . . a jury . . . to assess and award the sum or sums of money to be paid to such persons . . . and the justices shall and may give judgment for such sum or sums of money so to be assessed . . . and in case the sum or sums so to be assessed . . . shall not exceed the sum or sums of money . . . previously offered . . . all the reasonable costs, charges, and expenses of causing and procuring such value . . . shall be borne by the person interested in such houses . . . Provided always, that in all cases where any person or persons shall by reason of absence have been prevented from treating about such recompense . . . such costs and charges shall be borne and paid by the said Commissioners."

554. **The Lands Clauses Consolidated Act 1845.**—This is the General Act which governs all cases of compulsory purchase, *except as modified by the provisions of the Special Act.*

The following quotations are from the sections which most directly concern the actual assessment of compensation.

The Lands Clauses Consolidated Act 1845, section 33, provides :—"Before any arbitrator or umpire shall enter into the consideration of any matters referred to him, he shall in the presence of a justice make and subscribe the following declaration, that is to say :—

> "I, A. B., do solemnly and sincerely declare that I will faithfully and honestly, and to the best of my skill and ability, hear and determine the matters referred to me under the provisions of the Act (naming the Special Act).—A. B.
>
> "Made and subscribed in the presence of

and such declaration shall be annexed to the award when made, and if any arbitrator or umpire, having made such declaration, shall wilfully act contrary thereto, he shall be guilty of a misdemeanour."

Section 34 provides :—"All the costs of any such arbitration, and incident thereto, to be settled by the arbitrators, shall be borne by the promoters of the undertaking, unless the arbitrator shall award the same or a less sum than shall have been offered by the promoters of the undertaking, in which case each party shall bear his own costs incident to the arbitration, and the costs of the arbitrators shall be borne by the parties in equal proportions."

Section 51 provides :—"On every such inquiry before a jury, where the verdict of the jury shall be given for a greater sum than the sum previously offered by the promoters of the undertaking, all the costs of such inquiry shall be borne by the promoters of the undertaking, but if the verdict of the jury shall be given for the same or a less sum than the sum previously offered by the promoters, or if the owners of the lands shall have failed to appear at the time and place appointed for the inquiry, having received due notice thereof, one half of the costs of summoning, impanelling, and returning the jury, and of taking the

inquiry and recording the verdict and judgment thereon, in case such verdict shall be taken, shall be defrayed by the owner of the lands, and the other half by the promoters, and each party shall bear his own costs, other than as aforesaid incident to such inquiry."

Section 63 provides :—" In estimating the purchase money or compensation to be paid by the promoters in any of the cases aforesaid, regard shall be had by the justices, arbitrators, or surveyors, as the case may be, not only to the value of the land to be purchased or taken by the promoters of the undertaking, but also to the damage, if any, to be sustained by the owner of the lands by reason of the severing of the lands taken from the other lands of such owner, or otherwise injuriously affecting such other lands by the exercise of the powers of this or the Special Act or any Act incorporated therewith."

Section 92 provides :—" That no party shall at any time be required to sell or convey to the promoters of the undertaking a part only of any house or other building or manufactory, if such party be willing and able to sell and convey the whole thereof."

Section 93 provides :—" If any lands not being situate in a town or built upon shall be so cut through and divided by the works as to leave, either on both sides or on one side thereof, a less quantity of land than half a statute acre, and if the owner of such small parcel of land require the promoters to purchase the same along with the other land required for the purposes of the Special Act, the promoters of the undertaking shall purchase the same accordingly, unless the owner thereof have other land adjoining to that so left into which the same can be thrown, so as to be conveniently occupied therewith ; and if such owner have any other land so adjoining, the promoters shall, if so required by the owner, at their own expense, throw the piece of land so left into such adjoining land, by removing the fences and levelling the sites thereof, and by soiling the same in a sufficient and workmanlike manner."

Section 94 provides :—"If any such land shall be so cut through and divided as to leave on either side of the works a piece of land of less extent than half a statute acre, or of less value than the expense of making a bridge or culvert, or such other communication between the land so divided as the promoters of the undertaking are, under the provisions of this or the Special Act, or any Act incorporated therewith, compellable to make, and if the owner of such lands have not other lands adjoining such piece of land, and require the promoters of the undertaking to make such communication, then the promoters of the undertaking may require such owner to sell to them such piece of land, and any dispute as to the value of such piece of land, or as to what would be the expense of making such communication, shall be ascertained as herein provided for cases of disputed compensation ; and on the occasion of ascertaining the value of the land required to be taken for the purposes of the works ; a jury or the arbitrators, as the case may be, if required by either party, shall ascertain by their verdict, or award the value of any such severed piece of land, and also what would be the expense of making such communication."

555. **The Housing of Working Classes Act 1890.**—The following quotations from this Act will point out distinctions between its provisions and those of the Lands Clauses Consolidated Act 1845 in matters directly concerning the valuer.

The Housing of Working Classes Act 1890, Part II. (Obstructive Buildings), section 38, subsection 7, provides :—"Where the local authority is empowered to purchase land compulsorily it shall not be competent for the owner of a house or manufactory to insist upon his entire holding being taken, where such part proposed to be taken can, in the opinion of the arbitrator to whom the question of disputed compensation is submitted, be severed from the remainder of the house or manufactory without material detriment thereto, provided that compensation may be awarded in

respect of the severance of the part so proposed to be taken in addition to the value of that part."

Section 41 provides :—"In all cases in which the amount of any compensation is, in pursuance of this part of this Act, to be settled by arbitration, the following provisions shall have effect, namely—

"(1) The amount of compensation shall be settled by an arbitrator to be appointed and removable by the Local Government Board.

"(2) In settling the amount of any compensation—

"(a) The estimate of the value of the dwelling-house shall be based on the fair market value as estimated at the time of the valuation being made of such dwelling-house, and of the several interests in such dwelling-house, due regard being had to the nature and then condition of the property, and the probable duration of the buildings in their existing state, and to the state of repair thereof, and without any additional allowance in respect of compulsory purchase; and

"(b) The arbitrator shall have regard to and make allowance in respect of any increased value which, in his opinion, will be given to other dwelling-houses of the same owner by the alteration or demolition by the local authority of any buildings.

"(3) Evidence shall be receivable by the arbitrator to prove—

"1. That the rental of the dwelling-house was enhanced by reason of the same being used for illegal purposes, or being so overcrowded as to be dangerous or injurious to the health of the inmates; or

"2. That the dwelling-house is in a state of

defective sanitation or is not in reasonably good repair; or

"(3) That the dwelling-house is unfit, and not reasonably capable of being made fit, for human habitation; and, if the arbitrator is satisfied by such evidence, then the compensation—

"(a) Shall in the first case, so far as it is based upon rental, be based on the rental which would have been obtainable if the dwelling-house was occupied for legal purposes, and only by the number of persons whom the dwelling-house was under all the circumstances of the case fitted to accommodate without such overcrowding as is dangerous or injurious to the health of the inmates; and

"(b) Shall in the second case be the amount estimated as the value of the dwelling-house if it had been put into a sanitary condition, or into reasonably good repair, after deducting the estimated expense of putting it into such condition or repair; or

"(c) Shall in the third case be the value of the land, and of the materials of the buildings thereon."

Section 41, subsection 8, provides :—"The arbitrator may, where he thinks fit, on the request of any party by whom any claim has been made before him, certify the amount of the costs properly incurred by such party in relation to the arbitration, and the amount of the costs so certified shall be paid by the local authority."

Subsection 9 :—"The arbitrator shall not give such certificate where the arbitrator has awarded the same or a less sum than has been offered by the local authority in respect of such claim before the appointment of the arbitrator, and need not give such certificate to any party where he considers that such party neglected, after due notice from the

local authority, to deliver to that authority a statement in writing within such time, and containing such particulars respecting the compensation claimed as would have enabled the local authority to make a proper offer of compensation to such party before the appointment of the arbitrator."

It must of course be noted that the above quoted provisions only apply to the case in which the authorities are dealing with obstructing buildings under Part II. of the Act.

The purchase of land under Part III. and purchases under the Public Health Acts and the Housing, Town Planning, etc., Act proceed very much on the lines laid down by the Lands Clauses Consolidated Act 1845 so far as the valuer's work is concerned.

556. **Public Health Acts—Housing, Town Planning, etc., Act.**—See notes, last paragraph.

The Quotations.—The foregoing quotations should prove useful, but, as before suggested, when dealing with matters of sale and purchase or compensation under any particular Statute, the Act should be turned up and its provisions should be carefully followed.

Worked Examples.

The application of the principles of valuation to the case of compulsory purchase, and particularly the bearing of the special considerations dealt with in the earlier part of this chapter, will now be illustrated by examples. The notes on the solution must be regarded as an essential part of the examples. If they are carefully followed the reader should gather therefrom a clear idea of the general application of the principles to various cases and under different circumstances.

Valuations are not yet made by machinery—there is no such thing as giving cut and dried rules to be applied in a stereotyped manner—the value of an example does not consist in its being an answer to a given question, but in its suggesting an application of principles to questions generally. The reader should follow all examples with this understanding.

557. **Question.**—A is Freeholder of a Shop with Dwelling-house Over-leased for 60¾ Years from 25th September 1863, at a Reserved Rent of £110. B, the Leaseholder, Assigned his Lease in June 1905 to C, who Paid £150 for it and who made Permanent Improvements which cost £500. The Assignee C carries on a Retail Business at the Premises, Two-thirds of which is done with Regular Customers, and One-third of which is Purely Chance Trade. The Trade Fixtures are Valued at £250, and the Stock is worth £1500. The Net Profits as shown on a 3 Years' Average are £500 per annum. In June 1912 C acquired Freehold Premises in Close Proximity to but not Communicating with the Premises which are being taken. He Paid £550 for the Freehold, and Expended £175 on Alterations to fit them as a Store to be Used in Connection with his Business. These Premises are not being Purchased by the Company, but they will not be of any Use to C in his Trade after he has Parted with his Shop; but by Altering them at an Estimated Cost of £220, he may Fit them for Letting on Yearly Tenancy at £40 per annum.

A is also the Freeholder of Three other Shops nearly adjoining C's Shop, all let on Leases for 21 Years (20 Years unexpired), at Rents of £180 per annum in each case.

The Road in which the Shops are Situate is at Present a Busy Thoroughfare and the most Direct Means of Communication between Important Centres, but when the New Road which forms Part of the Undertaking of the Company has been made the Traffic will be almost entirely Diverted. As a Consequence, the Property will Cease to be Lettable as Business Premises, and it will become Necessary to Convert it into Flats at a Cost of £250 per House. It is Estimated that the Net Average Annual Income from the Flats will be £320 per annum. There will be a Loss of Three Months' Rent Pending Conversion.

Calculate the Probable Sums which the Company will have to Pay as Compensation to all the Parties Interested. There are no other Suitable Premises to which C can Remove his Business within a Distance of about a Quarter of a Mile.

Value as on the 25th March 1914.

558. **Solution.**—

Freeholder's Claim.

£110 per annum for 10¼ years at 4 per cent. = £110 at, say, 8·5 years' purchase . . = £935
Reserved rent per annum . . = £110
Premium paid for 19 years' lease . . . = £150
Improvements . . = 500
= £650
£650 spread over 19 years at 5 per cent. = £650 ÷ 12·085 years' purchase . . . . . = 53·79
= £163·79

£163·79 in perpetuity after 10¼ years at 5 per cent. = £163·79 at 12 years' purchase . . . = 1965·48
= £2900·48
Add 10 per cent. for compulsory sale . . . = 290
= £3190·48

Freeholder's compensation, say, **£3190**.

The freeholder does not appear to be entitled to compensation from the promoters for injuriously affecting the other three houses not taken (see Notes on Solution (*d*)).

The Lessee's Claim.

The head lessee sold his interest in 1905, and he has no present interest to value.

Assignee's or Occupying Lessee's Claim.

(*a*) *Purchase of leasehold interest:*

Estimated present annual value of the premises . . . . . = £163·79
Rent paid under lease per annum . . = 110
Profit rental per annum . . . . = £53·79

£53·79 per annum for 10¼ years at 5 per cent. = £53·79 at 8·09 years' purchase . . . . . = £435
Add 10 per cent. for compulsory sale . = 43
= £478

Brought forward . . . = £478

(*b*) *Injuriously affecting premises used as store:*

Price paid for freehold	= £550	
Alterations made to fit same as store .	= 175	
	= £725	
Rental obtained for premises when converted into dwelling, yearly tenancy per annum . . .	= £40	
Deduct for repairs, insurance, and contingencies, 20 per cent.	= 8	
Estimated net income . .	= £32	
£32 per annum in perpetuity at 6 per cent. = £32 at 16·66 years' purchase .	= £533	
Cost of conversion, including loss of rent pending completion and letting . .	= 220	
	= 313	
Loss by injuriously affecting store premises . .		= 412
Compensation to be paid for premises taken and for injuriously affecting premises not taken . .		= £890

(*c*) *Trade claim:*

Net profits per annum £500—Chance trade one third annihilated; allow 4 years' purchase, say . . .	= £667	
Regular custom disturbed by removal and part lost; allow 2 years' profits, say	= 666	
	£1333	
Fixtures valued at £250; allow 75 per cent.	= 187	
Stock valued at £1500—Loss on forced sale and damage by removal, 25 per cent.	= 375	
Cost of removal and incidentals . .	= 50	
		= 1945
		= £2835

Occupying Lessee's Compensation, £2835.

559. *Notes on the Solution.*—(1) There are two interests to consider—that of the freeholder and that of the assignee of the lease.

(2) The valuer appears to be in the umpire's position: the question asks for the probable sums which the company will have to pay.

(3) The unexpired terms calculated may be stated in the following concise form:—

Lease from September 1863	$1862\frac{3}{4}$
Term	$60\frac{3}{4}$
Term expires	$1923\frac{1}{2}$
Valuation made in March 1914	$1913\frac{1}{4}$
Unexpired term in March 1914 years	$10\frac{1}{4}$
Term expires as above	$1923\frac{1}{2}$
Interest assigned in June 1905	$1904\frac{1}{2}$
Unexpired term at date of assignment years	19

The Freeholder's Case.

(*a*) The first item in the freeholder's compensation has been calculated at 4 per cent., whilst the second item has been calculated at 5 per cent., because the rent reserved, £110, is less than the rack rent, and it may therefore be regarded as very well secured.

(*b*) The rental value has had to be assumed from the dealings with the property which have taken place. In cases on paper there is no opportunity of inspecting the premises. The question states that the other three houses in the same road of which A is also freeholder, have recently been let on lease at £180 per annum each. These premises, it has been assumed, are not similar to those with which the solution is concerned. If they were, the rent of £163·79 arrived at on the basis of the particulars given would be much too low.

(*c*) 10 per cent. for compulsory sale has been added to the calculated capital value of the property.

(*d*) Unless there is provision in the Special Act, the freeholder does not appear to be entitled to compensation for the injury to the other three houses not purchased: they are not held with or held for the same common purpose as those which are being taken. The depreciation in value seems to arise from the user of the undertaking, not from its construction: there does not appear to be any physical interference with the rights of ownership. If the traffic had been stopped by some alteration in the road, it would be a different matter, but it appears to be a case in which the

traffic is drawn off by a better route rather than by any alteration or diversion of the road in which the property affected is situate (§ 551). In any case of doubt the circumstances should be carefully laid before the client's legal advisers.

The Assignee's Case.

(*e*) The estimated rental value is of course the same as that adopted for the case of the freeholder.

(*f*) The rate of interest adopted, 5 per cent., may seem low for a short leasehold, but we have to consider the value to the lessee. The exact circumstances must dictate whether it should be higher or lower.

(*g*) It will be noted that the 10 per cent. allowance is calculated on the value of the real property only.

(*h*) C is entitled to compensation for the injury to his store, as it is "held with" or used for the same common purpose as the property taken. The store premises when reconverted into a dwelling appear on the calculation to be worth £533 as against £550 paid for the freehold, but it has been thought right to consider that they were worth £550 to C, who paid that for them, plus the outlay he made in their conversion into a store. The purchase and conversion are of comparatively recent date.

(*i*) In the trade claim, the statement as to net annual profit over an average of three years, has been accepted as an accountant's return. Otherwise points likely to arise would be whether the accounts had been charged with interest on capital; and particularly whether the amount charged for rent is the rental value, or only the £110 reserved rent. Four years' purchase of the profits arising from the chance trade which will evidently be entirely lost, and two years profits of the trade done with regular customers, has been allowed. There can be nothing very definite, of course, about this as an allowance to be applied to cases in general: the exact nature of the business, and all circumstances bearing on the question must be carefully weighed. Obviously a retail trader is more likely to lose customers by removing his business than is a wholesale firm. Some businesses may be ruined by removing only a short distance, whilst others may not suffer more than temporary disturbance if removed a considerable distance. It is a question which can only be considered in the light of minute particulars.

(*j*) The allowance of 75 per cent. on the value of the fixtures may seem high, but it must be remembered that the promoters must take them with the premises if they do not come to an arrangement, and in that case they will have to pay full value. What allowance should be made all depends on the exact

nature of the fixtures and how they are fixed. But many articles may not do for the new premises, and the cost of taking down, removal, and refitting is often heavy.

(*k*) The allowance to be made for loss on stock by forced sale or damage on removal must obviously depend on the nature and the quantity of it. For the example, 25 per cent. on value has been allowed.

(*l*) The cost of removal has been put at £50. This does not cover only mere cartage, but extends to incidentals. The quantity of stock and other goods to be removed, and the probable loss on goods which will not be of use, or at least will not be so useful for the new premises, are the points which, in practice, must be considered in fixing the amount.

560. **Example.**—A Shop next to a Main Line Station is to be Bought for a Railway Extension. The Shop is Worth £50 per annum on Lease. The Freeholder Occupies it and Carries on the Trade of a Tobacconist, which Produces £350 per annum Net Profits (before Charging Rent). The Fixtures are Worth £80. The Upper Part of the Shop is used for Storage. What should the Railway Company Pay to the Freeholder? Value of Stock on the Premises £250.

561. **Solution.**—

Freehold premises:

£50 per annum in perpetuity at 4 per cent. = £50 at 25 years' purchase . .	= £1250	
Add 10 per cent. compulsory sale . .	= 125	
		= £1375

Goodwill:

£300 (£350 − £50) at 4 years' purchase . .	= 1200
Fixtures valued at	= 80
Stock—loss on forced sale. Value of stock on premises £250. Allow 25 per cent., say . .	= 65
Compensation . .	= £2720

562. *Notes on Solution.*—The property seems to be a most desirable one from the tobacconist's point of view, and he is being forced to sell. The 4 per cent. table has been adopted.

As the valuation assumes the forced sale of the goods on the premises, and the premises do not afford living accommodation, no allowance for removal expenses appears to be necessary.

563. **Schedule.**—Where a number of cases are being dealt with, it is very necessary to prepare a schedule which will show at a glance the claims, offers, and settlements. The form on the opposite page, modified to meet any particular circumstances, will be found useful. Entries are made as the various cases reach the several stages making that possible, and ultimately the document forms a complete record of the whole of the dealings.

EXAMPLE OF SCHEDULE FOR RECORDING DEALINGS IN COMPENSATION CASES.

No. on Plan.	Full Description of Property.	How Occupied.	Full Names and Addresses of Claimants.	Estate or Interest.	Claims. Freehold.	Interests less than Freehold.	Claims for injuriously affected Property not taken.	Trade Claims.	Total Claims.	Offer.	Settlement.	Remarks.
					£	£	£	£	£	£	£	
34	12, 14, and 16 Gresham Street. Shop Property.	...	John King, Gurton Gardens.	Freehold.	3500	...	...	...	3,500	2100	2950	
,,	,,	Drapers.	James Dulwich, Gresham Street.	69½ years from March 25, 1912.	...	2640	1200	7200	11,040	7400	1560	The property injuriously affected is No. 20 Common Grove, used as draper's store.
86	10 and 12 Cambridge Avenue.	...	George Eaton, Oxford House.	Freehold.	1200	...	...	...	1,200	1000	1000	
,,	,,	...	Samuel Harrow, Grombridge.	40¼ years from March 1907.	...	3000	...	...	3,000	2000	2100	
,,	,,	Gunsmiths.	Herbert Harvard, Cambridge Avenue.	7, 14, or 21 years from Sept. 29, 1913.	...	500	850	5500	6,850	6000	6600	Premises injuriously affected No. 16 Upper Street. Stable and Garage.
			Grand	Totals .								

CHAPTER XIII.

MORTGAGE, VALUATIONS FOR,

564. Mortgage, Object of. Position of Parties. Mortgagee's Remedies. First Mortgage, Second Mortgage, Legal Mortgage, Equitable Mortgage. 565. Advances. 566. Interest, Rate of. 567. Margin of Value. 568. Principles of Valuation. 569. Depreciation in Value—How Provided Against. 570. Mortgage Valuation, Leading Considerations in Tabulated Form. 572. Capital Value, Security for Loan and Margin, Interest on Loan and Margin, Short Leaseholds, Security against Neglect to Repair and Unforeseen Depreciation, Rate of Interest, Life Estate, Security which it must Provide, Notes on Points Involved. 573. Suitability of Property as Security.

564. As will be gathered from the definitions (Chapter II. § 55), a mortgage is the giving of any estate in land as security for the repayment of a loan. The one who borrows the money is the mortgagor, and the one who lends is the mortgagee. The object of borrowing is of course to raise capital, and the object of lending is investment.

The mortgagee lends the money on the security of the land, at an agreed rate of interest payable at regular periods, and has certain powers of dealing with the property if the mortgagor fails to fulfil his obligations.

The terms of the mortgage deed define the exact position between the mortgagor and mortgagee, but in the ordinary case the mortgagee may, in case of default by the mortgagor—

(*a*) Sue.
(*b*) Take possession.
(*c*) Appoint a receiver.
(*d*) Apply to the Court for foreclosure order.
(*e*) Sell the estate given as security.

Usually if the borrower is not able to repay the capital and to pay the interest as arranged, the mortgagee sells

the property, and, supposing the amount realised is sufficient, repays himself his capital together with any interest due and all costs properly incurred, and hands to the mortgagor any balance which remains.

A mortgage may be a "first mortgage" or a "second mortgage." Where there is a second mortgage it cannot be more than an equitable mortgage. The first mortgagee has first claim, and the second mortgagee's security consists only in what may be left after the first mortgagee's proper claims have been satisfied. In the case of a legal mortgage, there is a transfer of the property forming the security: in the case of an equitable mortgage there is only a deposit of deeds, probably with an agreement on the part of the mortgagor to execute a legal mortgage if called upon.

565. **Advances on Mortgage as an Investment.**—The advantages of this form of placing capital are that there is or should be a good margin of security, a fairly high rate of interest is obtained, and the capital may be called in at comparatively short notice.

The propriety of making a loan on mortgage must primarily depend, in the case of a first mortgage, on the value of the property in its relationship to the amount to be loaned, the readiness with which the property could be realised, and the interest offered. In the case of a second mortgage, the amount which can be lent is some proportion of what remains after deducting from the value of the property a sum sufficient to satisfy all likely proper claims of the first mortgagee, not necessarily confined to the amount lent on first mortgage, as interest and costs may be involved.

566. **Interest—Rate of.**—The rate of interest which a mortgagee should have on the sum advanced must depend on all the circumstances of the case, the nature of the security, the margin between the amount lent and the value of the property given as security, whether it is a first mortgage or a second mortgage, and the value of money at the time when the loan is made.

567. **Margin of Value.**—The margin which should exist between the amount advanced and the value of the property must depend on circumstances. Usually not more than two-thirds of the value is lent, and in the case of less desirable properties one-half is often the more correct proportion. The probability of the property retaining its present value, or the reasonable possibility of its depreciating, must necessarily influence the question of the proportion of value to be lent. Trustees, except expressly authorised by the Trust, may not lend more than two-thirds, and that only on certain securities known as "Trustees' Securities," which do not include leaseholds generally. Nor may they lend on second mortgage.

568. **Principles of Valuation.**—Properties are valued for mortgage according to the principles of valuation dealt with in previous chapters, leaning on the side of safety, in view of the fact that the property may have to be sold under compulsion and perhaps at an unfortunate time when the market is poor; and that in such case there will be interest and expenses to meet in addition to the capital sum advanced. All speculative factors such as prospective improvements in a district which may increase the value of property there, must be left out of the question. What is wanted is a value which is sure to be realised in the event of the property having to be sold under the worst conditions, either at once or in the future.

569. **Depreciation in Value—How Provided Against.**—In the case of a certain and constant depreciation, such as the gradual shortening of the unexpired term in a lease, the way to meet the contingency is to advise that the sum loaned shall be reduced periodically by certain stated sums sufficient to meet the depreciation, and that the balance shall be paid off before the term becomes too short for the property to continue to be ample security for it. A sharp eye must be kept on short leaseholds, lest they become an actual burden rather than a security. Periodical re-valuation is the only way to guard against unforeseen depreciation.

570. **Leading Considerations.**—It will be helpful to have in brief tabulated form some of the leading points to be borne in mind in connection with mortgage valuations. These may be given as follows :—

(a) The capital value of the property as ascertained for mortgage purposes should be the price which it will realise on forced sale at the most unfavourable time. It must take into account all reasonably possible depreciation. The deductions made from gross rents in arriving at net annual income should be reasonably ample. All defects and circumstances which may call for any capital outlay or annual payment in the future, should be taken into account. Any element of value attaching to it which would not probably be realised in a forced sale should be ignored in valuing it for mortgage.

(b) The capital value as defined in paragraph (a) must be ample to secure the amount of loan and leave sufficient margin (see § 567).

(c) The net annual income (not the gross rents) arising from the property and likely to be maintained, should be ample to meet the interest on loan, and leave a good margin. It is well for it to exceed the interest by at least one half.

(d) The property should be such that it may readily be sold at any time.

(e) If the property offered as security is leasehold and the unexpired term is getting short, provision must be made for the suitable reduction periodically of the amount advanced. This reduction should not necessarily be in the ratio of the original loan to the original value: it may be quite proper to lend two-thirds of the value when the lease is long, and foolish to lend even half value, or any sum at all, when it is short.

(f) There should be security against the property, the subject of mortgage being allowed to fall into a state of dilapidation, also against unforeseen depreciation in value. To meet these contingencies, periodical surveys are advisable.

(g) The rate of interest to be paid on the loan should be fixed in regard to the class of property forming the security, and the proportion of the value which is advanced.

(h) Where the continuance of the security for the loan is dependent on a life, the life involved must be insured for a sum sufficient to meet the principal and any interest and insurance premiums paid on default of the mortgagor by the mortgagee. The mortgagee should be in a position to appoint a receiver, and the net income should be ample to meet the annual insurance premium and the interest, and leave a good margin. The usual powers of sale would of course be provided.

571. If the conditions on which the advance is made comply with all the requirements of paragraphs (*a*) to (*h*), the four essentials from the mortgagee's point of view will be present: these were mentioned in dealing with the advantages of mortgage loans as investments, but, as it is so important they should be kept well before the mind, they may with advantage be here set out briefly in tabulated form as follows:—

(a) An ample margin of security for capital;
(b) A secured income more than sufficient to meet interest;
(c) A fair rate of interest on capital;
(d) An investment from which the capital can be withdrawn at short notice.

Very much might be said under each of the heads (*a*) to (*h*) (§ 570), but if the earlier chapters on the principles of valua-

tion have been understood, most of it should suggest itself to the reader. A few brief notes may be of service :—

572. **Notes on Preceding Paragraphs** (§ 570).—(*a*) It will be understood that the mortgagee may have to sell at a very unfavourable time ; there will probably be interest outstanding, and there will be expenses to meet ; he may even have had to lay out money on maintaining the property. The sale will probably be by auction, and the property will have to be sold at a low price. Factors in value of a speculative character, such as good will in the case of business premises, prospective improvements in the locality calculated to increase the value of property, and such like, will probably be disregarded by purchasers in such sales, and therefore the value must be disregarded by the valuer in making his valuation.

(*b*) Burdens, such as liability to make up and sewer roads, redrain premises, carry out alterations under contract which would bind assigns, or under the Public Health Acts, or the Housing, Town Planning, &c., Act, must of course all be carefully considered. If the property is valued on the principles laid down in earlier chapters, such matters and a great many others will be taken into account, of course, but mention is here made of those points which are the more likely to be overlooked (see Chapter VI. particularly).

The liability for duties under the Finance (1909–10) Act 1910 which may fall upon a mortgagee must not be overlooked.

(*c*) In any case in which it is found that the immediate sale of the property would not realise sufficient money to pay off the mortgage, and any interests due and costs, if the net income exceeds the interest, the mortgagee may first receive the rents and pay off a part of the capital sum by instalments out of the margin, and afterwards sell when the loan has been reduced to the realisable sum. Therefore the larger the margin the better.

(*d*) It was pointed out in § 571 that one of the advantages of advancing money on mortgage as a form of investment

is that (in the ordinary case) the money may be called in at comparatively short notice. Apart from the property being of sufficient value, therefore, it should be such that it will sell readily. If it will not do this, it does not possess one of the desirable factors in mortgage security. The value for mortgage purposes must be the price at which the property will sell readily.

(*e*) The disadvantages of short leasehold interests have been pointed out in Chapter VI., but they need special attention when considered as security for money advanced on mortgage. Short leaseholds cannot be readily sold, there is considerable liability attaching to them, the buildings are mostly old and more or less dilapidated, and are often situated in districts where great changes are taking place. The lessee suffers from the disturbance caused by these changes without being able to reap any benefit from the after effects, and the chances of his failing to secure tenants for the property are considerable. If this completed the indictment of short leaseholds, and it certainly does not, it would be quite sufficient to condemn them as mortgage securities.

In considering the question of the periodical reduction of the capital sum, the basis should be the probable value of the property at each period, and the proportion of that value which can be safely advanced. As the property deteriorates as a mortgage security, so the margin should be increased. Deterioration as a mortgage security should not be confused with a mere decrease in value.

(*h*) Lifehold interests should not be entertained except in conjunction with the insurance of the life involved. The life must therefore be insurable, and the borrower must be prepared to pay the premiums as well as the interest on the loan. A larger net income, in comparison with the interest on loan, is required in the case of life interests; the insurance premium forms an additional burden, and life interests are not usually so readily dealt with as other classes of property. Contingent life interests are very speculative, but contingent life policies can be obtained. Undivided

shares in properties are very difficult to deal with, and if sold, usually realise only quite a small sum comparatively.

573. **Suitability of Property as a Security for a Loan on Mortgage.**—Obviously the properties which are the least fluctuating, which are the most readily realised and which involve the least liability, form the best securities. Freehold ground rents form an excellent security; short leaseholds, properties of the rougher class, indifferently let, and interests in unfinished properties, factories, and speculative properties generally, point the other extreme.

Beyond pointing extremes, no general guide is reliable; there are so many grades of every class of property, that to tar whole classes with the same brush would be altogether misleading. If the principles of valuation are understood, a careful consideration of all the features of any particular property will indicate to what extent it is suitable as the security for a loan on mortgage: that is the only safe way.

APPENDIX A.

EXAMPLES OF QUESTIONS FOR SELF-EDUCATION.

(For Solutions see Appendix C.)

1. Freehold ground rents amounting to £50 per annum, secured on 25 cottages originally leased for 99 now 80 years unexpired, are for sale. There are several collections. The property is let to weekly tenants; the rent roll is £250 per annum. Value the property.

2. In 1914 A purchases a lease which is renewable in perpetuity on payment of a fine of £40, the fine interval being 14 years, and the last renewal having been effected in 1907. What sum of money ought he to have invested in order to provide for the fines as they become due?

3. The years' purchase for an income that is to be received for a limited period is less than that for a perpetual income. What does this difference allow for?

4. What is the value of an estate near a town consisting of uncovered land which is now let for accommodation purposes at £5 per acre per annum? It is estimated it will be ripe for building in 9 years' time, that it will probably be a year later before it can be leased, and that when it can be let for building purposes it will bear a ground rent of £50 per acre per annum.

5. £100 was invested 6 years ago and now amounts to £150. At what rate of interest has it accumulated?

6. What do you understand by a sinking fund?

7. How would you value a perpetuity subject to a lease for 65 years, the ground rent being £10 per annum and the full net rent £100 per annum?

8. What is the value, on the basis of the Northampton table, of mortality of A's interest in a freehold property? At present it is enjoyed by two joint tenants whose ages are now 50 and 60 respectively. The property is let on yearly tenancy. The gross rents amount to £630 per annum. Assume a 5 per cent. investment.

9. A, who has an interest held on his own life in a freehold property which returns a net annual income of £200, wishes to borrow

a sum of money on his life estate. Upon what conditions would you advise the advance being made?

10. Value a farm of 150 acres with good buildings. The property is let to a tenant of old standing at 30s. per acre. The outgoings borne by the owner amount to £76 per annum. Treat it as a 4 per cent. investment.

11. Explain briefly the principle on which the table for purchasing estates held for terms of years certain is calculated.

12. What is the value in 1914 of good-class leasehold property held for a term of 60 years from June 1900, and subleased in June 1909 for 21 years at £150 per annum? The ground rent is £20 per annum. The sublessee paid a premium of £500 for the lease.

13. What are valuation tables, and in what way are they useful to the valuer?

14. Are the tables in ordinary use calculated at simple interest or compound interest, and why?

15. Assuming the valuation to be made in September 1914, at what sum would you value the freehold interest in a property the particulars of which are as follows:—

Lease 99 years from 25th September 1846.
Ground rent per annum £18.
Rental value on full repairing lease £200 per annum.
Present condition fair, but £100 would have to be expended to put the house in thorough repair.
Subleased for 7, 14, or 21 years to a substantial tenant.

16. In valuing a property for mortgage, what are the principal points you would have regard to?

17. State briefly the chief considerations to which regard must be had in valuing a property.

18. What is the value of a substantially built block of 20 freehold houses which let on repairing lease at rents aggregating to £2000 per annum? The property, which is of recent erection, is charged with an annuity of £250 per annum payable to the present owner's sister, whose age is now 55. What would it cost to purchase an annuity to replace the charge mentioned?

19. What is the difference in value between freehold and copyhold property?

20. In valuing a property, would it be the rack rent, or only part of the rack rent, you would multiply by your years' purchase?

21. A railway company have obtained powers under which they

are compulsorily purchasing business premises adjoining a railway terminus, of the estimated net rental value of £45 per annum. The rooms over the shop are occupied by the lessee and his family. What sum should the lessee recover, the particulars being as follows:—

Term 48 years from September 1907.
Rent reserved in lease per annum £95.
Estimated rental value on lease at present time £205.
Net profits, after allowing the reserved rent, interest on capital, and all outgoings, £1050 per annum.
Fixtures valued at £240.
Stock valued at £750.
The business may be regarded as a purely chance trade. There are no available shops in the immediate vicinity.

22. What is the difference between a tenancy for life and a lease for life? How would you value a reversion after either?

23. Why is agricultural land valued at a low rate of interest compared with other properties?

24. A certain freehold estate comprises 20 acres of land, and it is estimated that it will continue to let for the next 5 years and realise a net annual income of £40. The land may then be let for accommodation purposes at an annual rent averaging £5 per acre; after that it will be possible to lease the land in plots for building purposes at ground rents of £60 per acre per annum. It is estimated that the whole estate will be let, and that the ground rents will be secured fully within 20 years from the present date.

The estimated rentals may be taken as representing net income, and the acreage stated does not include what will be required for roads.

25. A house was let on 3 years' agreement 2 years ago at a rent of £60 per annum. The tenant does not undertake any repairs, and the landlord insures. It is held on lease for 45 years unexpired at a ground rent of £12 per annum. What is the value of the leaseholder's interest?

26. How would you value:

(1) An arbitrary fine payable on *alienation and death.*
(2) ,, ,, ,, *admission.*
(3) ,, ,, ,, *death only or on alienation only.*
(4) A fine certain.
(5) A relief.
(6) A heriot payable on *death and alienation.*
(7) ,, ,, *admission.*
(8) ,, ,, *alienation only.*
(9) A quit rent, a free rent, and other annual rents?

27. What is the value of a leasehold house held for a term of 50 years unexpired at a ground rent of £5 per annum, subleased for an unexpired term of 5 years at £50 per annum, but let to a yearly tenant at £75 per annum? The purchaser will require 5 per cent. for his money.

28. Looking back over a course of years, A finds that a certain leasehold property has returned him an average net annual income of £513. He bought the property for £7000 in 1904, and the lease was originally for a term of 60 years from 1872. What return does A reap from his investment, supposing he has to set aside a sinking fund which accumulates at 3 per cent?

29. Thirty years ago A took land on building lease for 60 years at a ground rent of £30 per annum, and laid out £5000 in the erection of buildings. This year he restored his lease to its original term, paying a premium of £500 and agreeing to pay £20 per annum more rent to meet an increase in value in the land since the date of the original grant. The property now returns a net annual income of £350 per annum. What is the sitting rent?

30. What is the value of leasehold premises which are held for 60 years unexpired at a ground rent of £5 per annum and subleased for 21 years (10 years unexpired) at £42, 10s. per annum? The sublessee improved the premises, and expended £500 in doing so when he took up the lease. No rent was payable under the lease for the first three months, to give the lessee time for carrying out the works and getting into occupation.

Value on the 6 per cent. table, and deal with the improvements on the basis of the lessee getting 5 per cent. for his money.

31. Define increment value duty, reversion duty, and undeveloped land duty.

32. A, the leaseholder of certain property, wishes to secure an extension of 35 years in the term of his lease, which is now 5 years unexpired. When he took the property it was of the net annual value £110 per annum, the reserved rent, but it is now worth £115 per annum. What premium ought A to pay for the renewal?

33. In the process of making the general valuation under the Finance (1909–10) Act 1910, what statutory values have to be ascertained?

34. Assume that £80 per annum is the amount actually received in rents from each of four separate properties let respectively weekly, yearly, on 3 years' agreement and on repairing lease, and show what the "rateable" would be.

Assume that £90 per annum is the rateable value of each of four separate properties let as in the first part of this question, and state what the gross values would be.

35. Name the chief deductions which have to be made in calculating assessable site value from gross value.

36. Calculate, with the aid of Logarithmic Tables:
(*a*) The amount of £50 in 5 years at 5 per cent.
(*b*) The present value of £50 for 5 years at 3½ per cent.

37. Find the net annual sum which a property ought to be returning if the investment is to return 6 per cent. The sinking fund can be accumulated at 3 per cent. only, and the term during which the property will be enjoyed is 21 years. Assume the property was purchased for £1000. Form your own table.

38. Assume, in the following cases, that the average annual cost of internal repairs is £8, of external repairs £8, and renewal fund £8, and of insurance £2, and give the assessment for rating purposes in each case.

(1) Within the metropolis,
(2) Outside the metropolis,

(*a*) Rent £100. Landlord does outside repairs and all renewals and also insures. Tenant does inside repairs.
(*b*) Rent £92. Landlord does outside repairs and all renewals and also insures. Tenant does inside repairs.
(*c*) Rent £84. Landlord provides renewal fund and also insures. Tenant does all repairs.
(*d*) Rent £120. Tenant does all repairs, provides renewal fund and also insures.

39. Calculate, using Logarithmic Tables:
(*a*) The amount of £20 per annum for 5 years at 5 per cent.
(*b*) The present value of £10 per annum for 7 years at 7 per cent.

40. Calculate, without the aid of valuation tables, the value of a property held for an unexpired term of 21 years, returning a net annual income of £150. The investment to pay 6 per cent. and the sinking fund to be provided at 3½ per cent.

APPENDIX B.

COMPULSORY ENFRANCHISEMENT UNDER THE COPYHOLD ACT 1894 (57 & 58 Vict. c. 46).

MINUTE OF THE BOARD OF AGRICULTURE AND FISHERIES

as to Proceedings on Compulsory Enfranchisements under the Copyhold Act 1894.

Lord or Tenant can Compel Enfranchisement of Copyhold.

1. A lord or a tenant (see definitions in section 94 of the Act) can compel enfranchisement of any copyhold land to which the tenant has been admitted, except where the tenant is a mortgagee not in possession, or where the land is held for a life or lives, or for years, and the tenant has not a right of renewal. But where the tenant has not been admitted since the 30th of June 1853, he cannot avail himself of this power until after payment or tender of such fine, and of the value of such heriot (if any) as would become payable in the event of admittance on alienation subsequent to that day, and of two-thirds of such sum as the steward would have been entitled to in respect of the admittance.

Lord or Tenant can Compel Enfranchisement of Manorial Incidents.

2. Any lord or tenant of any land liable to any heriot, quit rent, free rent, or other manorial incident whatsoever, may require and compel the extinguishment of such rights or incidents affecting the land, and the release and enfranchisement of the land subject thereto, and the proceedings thereon are the same as in the case of enfranchisement of copyhold land. If the land is freehold (including customary freehold) and subject to heriots and no heriot has become due or payable since the 30th of June 1853, a tenant cannot avail himself of this power until after payment or tender of the value of such heriot (if any) as would become payable in the event of an admittance or enrolment on alienation subsequent to that day, and of two-thirds of such sum as the steward would have been entitled to for fees in respect of the alienation or admittance or enrolment.

Fines, etc., to be Paid before Enfranchisement.

3. A tenant is not entitled to require enfranchisement of any land until after payment or tender of all fines and fees consequent on the last admittance to the land.

Notice of Desire to Enfranchise.

4. A lord or tenant requiring enfranchisement or extinguishment of manorial incidents, must give notice in writing, the one to the other, of his desire to have the land enfranchised, and send a copy of the notice to the Board, with an endorsement thereon, stating when and upon whom the notice was served, and how served.

Lord and Tenant may Agree as to Compensation.

5. The lord and the tenant, after the notice requiring enfranchisement has been delivered, may agree in writing upon the compensation to be paid for enfranchisement. A form, showing the information to be furnished by the steward in such cases, may be obtained on application to the Board. A memorandum of agreement will be found at the foot of page 4 of the form.

Determination of Compensation.

6. The lord and the tenant may, after the notice requiring enfranchisement has been delivered, agree in writing that the Board shall determine the compensation to be paid for enfranchisement, or they may appoint a valuer or valuers to determine such compen sation. Forms of agreement or appointment applicable to such cases may be obtained on application to the Board.

Appointment of Valuers.

7. If the compensation is not otherwise determined, it is to be ascertained under the direction of the Board on a valuation to be made by a valuer, valuers, or umpire[1];—

(*a*) The lord and tenant may, in any case, jointly appoint one valuer.

(*b*) *Appointment of Valuer by Justices.*—When the manorial rights to be compensated consist only of heriots, rents, and licenses at fixed rates to demise or to fell timber, or of any of these, or where the land to be enfranchised is not rated for the relief of the poor at a greater amount than the net annual value of £30, the valuation is to be made by a valuer to be appointed by the justices at petty sessions holden for the division or place in which the manor or the

[1] The valuers and umpire are not arbitrators, but are assessors and assistants to the Board, and the award is made by the Board under the authority given by the Act; see *The Queen* v. *Land Commissioners*, (1889) 23 Q.B.D. 59; 58 L.J., Q.B. 313; 37 W.R. 538.

greater part of it is situate, unless either party to the enfranchisement gives notice that he desires the valuation to be made by a valuer or valuers appointed by the lord and tenant, in which case he must pay the additional expenses caused by that mode of valuation. Before either party applies to the justices to appoint a valuer, notice of the application must be given to the other party, and a copy of the notice, as well as of any appointment by the justices, should be forwarded to the Board.

(*c*) *Appointment of separate Valuers by Lord and Tenant.*—In all other cases the lord and the tenant each appoint a valuer. The person who has given notice of his desire to enfranchise should appoint a valuer in writing, and give notice thereof to the other party requiring him to appoint his valuer. A copy of the valuer's appointment and of the notice should be sent to the Board, with the time and mode of service of the notice endorsed thereon. When the notice of the appointment of valuer has been received, the party on whom it has been served must within twenty-eight days appoint his valuer, and send a copy of the appointment both to the opposite party and to the Board.

(*d*) *Failure by Lord or Tenant to appoint a Valuer.*—In any case where, after due notice as aforesaid, either party does not appoint his valuer within twenty-eight days or within such further time, if any, as the Board by order allow, the appointment devolves upon the Board, who, on being requested by either party, will appoint a valuer.

Appointment of Umpire.

8. The valuers within fourteen days after their appointment, and before they proceed, must appoint an umpire, to whom the whole matter, or any point in dispute between them, may be referred. A copy of such appointment should be forwarded to the umpire and to the Board. If the valuers fail to appoint within fourteen days, the appointment devolves upon the Board, who, on being requested by the valuers, or one of them, will appoint an umpire.

Death or Removal of a Valuer or Umpire.

9. When a valuer or umpire dies, or becomes incapable, or refuses to act, or is removed by the Board, another valuer or umpire may be appointed in his place, within a time to be fixed by the Board, by the person and in the manner provided by the Act with regard to the valuer or umpire, in whose place he is appointed, and in default by the Board. A valuer or umpire so appointed may adopt and act upon any valuation or proceeding agreed on or completed by the valuer, valuers, or umpire previously acting.

Declaration of Valuers or Umpire.

10. Before any valuer or umpire enters upon his valuation, he must, in the presence of a justice of the peace, make and subscribe a

declaration in the following form, which must be annexed to the Decision when forwarded to the Board:—

"I declare that I will faithfully, to the best of my ability, value, hear, and determine the matters referred to me under the Copyhold Act 1894.

"Made and subscribed in the presence of A. B.
this day of 19 ."

Instructions to be Given to Valuers.

11. As the Decision of the valuer or valuers should be given within forty-two days, the parties should, without delay, furnish to him or them, all such information as may be required and called for by him or them: and if either party neglect or refuse to do so, the valuer or valuers will proceed upon such information as he or they can otherwise obtain.

Circumstances to be Considered by Valuers.

12. The circumstances to be considered by valuers are mentioned in section 6 of the Act, which is as follows:—

"(1) In making a valuation for the purpose of ascertaining the compensation for a compulsory enfranchisement under this Act, the valuers shall take into account, and make due allowance for the facilities for improvements, customs of the manor, fines, heriots, reliefs, quit rents, chief rents, forfeitures, and all other incidents whatsoever of copyhold or customary tenure, and all other circumstances affecting or relating to the land included in the enfranchisement, and all advantages to arise therefrom, provided that they shall not take into account or allow for the value of escheats.

"(2) The value of the matters to be taken into account in the valuation shall be calculated as at the date of the notice to enfranchise."

Decision of Valuers or Umpire.

13. The valuers must determine the value of the matters to be taken into account in the valuation at a gross sum of money.[1] The valuers' Decision must be in such form as the Board direct, and be made within forty-two days after their appointment or within such further time (if any) as the Board by order allow, and be forwarded to the Board with the details of the valuation separately given. A copy of the Decision must also be sent at the same time to the lord or steward and to the tenant or his attorney. If the valuers do not agree as to the compensation or any point arising in the valuation, they or either of them may refer the whole matter or the point in

[1] See paragraph 32 as to scale of compensation.

dispute to the umpire. If they do not give their Decision within the prescribed time and do not refer the matter to the umpire, the Board may direct the umpire to act as valuer. The umpire must give his Decision within forty-two days after the reference to him, and forward it with details as above mentioned to the Board, and send copies of it to the lord or steward and to the tenant or his attorney.

Extension of Time.

14. If any extension of the prescribed time for doing an act be desired, application should be made to the Board before the expiration of that time.

Description of Land to be Enfranchised.

15. A schedule containing the exact description under which the land is to be enfranchised should be annexed to every Decision. The court roll description by which the tenant was admitted or enrolled should be given in the schedule. If, however, the parties agree to a more modern description of the land in addition to the court roll description, the same should be signed by the steward of the manor and by the tenant or his attorney.

Identity of Land.

16. (*a*) Where the identity of the land cannot be ascertained to the satisfaction of the valuers, if the quantity of the land is mentioned in the court rolls of the manor, and is therein stated to be in statute measure, the land is to be taken to be of that quantity, and in every other case the quantity is to be determined by the valuers.

(*b*) *Plans.*—Where the land is not defined by a plan on the court rolls, the valuers, if requested in writing by either lord or tenant, are to define it by a plan. Ordnance Survey maps, or a tracing therefrom, will generally be found most convenient for the purpose. They are published on the $\frac{1}{2500}$ and 6-inch scales, and on larger scales in many instances for town properties. They can be obtained from Mr Edward Stanford, 12, 13, and 14 Long Acre, London, W.C., who will afford full information respecting them. They can also be purchased from agents in most of the chief towns; through many of the Head Post Offices; and directly, or through any bookseller, from the Ordnance Survey Office, Southampton.

Except by agreement between the lord and tenant, a plan is not to be made where it appears by the court rolls or otherwise that the boundaries of the land have been for more than fifty years last past treated as being intermixed with the boundaries of other lands, and as being incapable of definition.

Where valuers have been appointed, the lord or the tenant may, in any case of doubt or difference of opinion as to the identity of

the land, apply to the Board to ascertain and define the boundaries thereof.

Minerals and Other Reserved Rights.

17. No enfranchisement will affect the estate or right of any lord or tenant in the minerals or any other rights mentioned in section 23 of the Act, without his express consent in writing. Therefore, when the tenant desires and the lord is willing to include and extinguish such rights of the lord, the lord's consent must be sent to the valuers before they enter upon their valuation, in order that they may include the rights in their Decision. A form of consent may be obtained from the Board, and the signed consent should be forwarded to them with the Decision.

Board will Prepare Award of Enfranchisement.

18. When the compensation has been ascertained under the provisions of the Act, the Board having made such inquiries as they think proper, and having considered any applications made to them by the parties, may make in such form as they provide, an Award of enfranchisement on the basis of the compensation, and the Award will be prepared by them.

Board may Continue Conditions of User for Benefit of Public or Other Tenants.

19. The Board have power under section 13 of the Act by the award of enfranchisement to continue and give effect to any condition affecting the user of the land subject to which the tenant may have been admitted and which may have been imposed for the benefit of the public or of the other tenants of the manor, where, in the opinion of the Board, some special hardship or injustice would result if the land were released from the condition.

When Compensation to be a Rent Charge.

20. (*a*) When the enfranchisement is at the instance of the lord, or where the land can, in the opinion of the Board, be sufficiently identified, and the compensation amounts to more than one year's improved value of the land, then, unless the parties otherwise agree, or the tenant exercises the option hereafter mentioned, the compensation must be an annual rent charge of £4 per cent. per annum on the amount of the compensation, commencing from the date of the notice to enfranchise, and issuing out of the land enfranchised.

The rent charges are payable on the 1st of January and the 1st of July in each year, but are redeemable by the person for the time being in actual possession or in receipt of the rents and profits of the land, on payment of twenty-five times the amount of the rent charge.

(*b*) *Compensation may be a Gross Sum at Option of Tenant.*—The tenant has, however, the option of paying the compensation in

a gross sum of money, but he must within ten days after the receipt by him of the draft Award give notice in writing to the Board of his desire so to pay.

Compensation to be Paid Prior to the Confirmation of Award.

21. When the compensation for enfranchisement is a gross sum of money, the receipt of the person entitled to receive the same must be produced to the Board before the Award of enfranchisement can be confirmed.

Questions of Law or Fact.

22. If any questions of law or fact arise in the course of the valuation on any compulsory enfranchisement they may be referred to the Board.

Proceedings not to Abate in Case of Death of Lord or Tenant.

23. If pending any proceedings the lord or tenant dies, there is no abatement of the proceedings, and any admittance or enrolment consequent on such death must be made without the payment of any fine, relief, or heriot, and the compensation must be ascertained as if the enfranchisement had been effected immediately after the commencement of the proceedings.

Who May Act for Lord.

24. Any lord may act either on his own behalf, or by his steward, or may appoint an agent other than his steward to act for him; but unless and until he has given written notice to the tenant and the Board respectively that he intends to act on his own behalf, or that he has appointed an agent (to be named in the notice) other than his steward to act for him, the steward, for the purposes of the Act, represents the lord in all matters of procedure, and the tenant and the Board may treat the steward as the agent of the lord for the purpose of giving and receiving notices, making agreements, and all other matters relating to enfranchisement; except that a steward, without special authority, has no power to consent on behalf of the lord to the rights comprised in section 23 of the Act being affected by the enfranchisement.

When Lords or Tenants are Trustees.

25. When either the lords or the tenants are trustees, and one or more of the trustees is abroad or is incapable or refuses to act, any proceedings necessary to be done by the trustees for effecting an enfranchisement under the Act may be done by the other trustee or trustees.

Married Women.

26. A married woman, being lady of a manor or tenant, is, for the purposes of the Act, to be deemed a feme sole.

Persons under Disability or Beyond the Seas.

27. When a lord or a tenant or any person interested in an enfranchisement or otherwise under the Act is an infant or a lunatic, or is abroad, or is unknown, or not ascertained, anything by the Act required or authorised to be done by or in respect of him is to be done on his behalf, if he is an infant and has a guardian, by his guardian, and if he is a lunatic and there is a committee of his estate, by the committee, and if he is abroad and has an attorney authorised in that behalf, by his attorney, and in every other case by some fit person appointed by the Board to represent him for the purposes of the Act.

Appointment of Agent by Power of Attorney.

28. An agent or attorney may be appointed by power of attorney by a lord or tenant, or other person interested in any proceedings under the Act, in the following form:—

"Manor of
in the County of

"I, *A. B.*, of, etc., hereby appoint *C. D.*, of, etc., to be my lawful attorney to act for me in all respects as if I myself were present and acting in the execution of the Copyhold Act 1894.

"Dated the day of nineteen hundred and

"(Signed) *A. B.*"

The power of attorney must be in writing, and be signed by the person giving it, or, if it is given by a corporation aggregate, be sealed or stamped with the seal of the corporation. The power of attorney, or a copy authenticated by two witnesses, must be sent to the Board.

Notices, Agreements, and Appointments to be Duly Signed.

29. Notices, agreements, and appointments of valuers by the lord may be signed by him or his agent or by the steward, and if given, or made, by the tenant, may be signed by him, or by an agent duly authorised by power of attorney to act on his behalf.

Service of Notices.

30. A notice required or authorised by the Act to be given to any person must be given in writing, and may be served personally or by

leaving it at the usual or last known place of abode or business in the United Kingdom, or by sending it by post in a registered letter addressed to him at that place, or where he is a tenant of any premises by delivering the same, or a true copy of it, to some person on the premises, or if there is no person on the premises to whom it can be delivered, by fixing it on some conspicuous part of the premises.

Copies of Notices, etc., to be sent to the Board.

31. Copies of all notices and appointments should be sent to the Board as soon as they are given or made.

Scales of Compensation and Allowance to Valuers.

32. A scale of compensation for enfranchisement and a scale of allowance to valuers, framed pursuant to section 66 of the Act, for guidance, may be obtained on application to the Board. The person requiring an enfranchisement should state to the other party to the enfranchisement whether he is or is not willing to adopt the scale of compensation.

The scale of compensation will probably facilitate the settlement by agreement of the sum to be paid, especially in fine certain cases, in which the compensation is usually of small amount.

Steward's Compensation.

33. The compensation to be paid by a tenant to the steward in every case of compulsory enfranchisement is fixed by section 9 of the Act.

Stamp Duty.

34. Agreements, decisions of valuers, and powers of attorney under the Act are not chargeable with stamp duty. As to stamp duty on an Award of enfranchisement, see Copyhold Act 1894, section 58 (2): and the Finance (1909–10) Act 1910, section 73.

Expenses.

35. In case of any question as to the amount of the expenses relating to an enfranchisement, the matter may be referred to the Board.

Forms.

36. The under-mentioned forms may be obtained by application to the Board, or, if a number be required, to Messrs. Shaw and Sons, Fetter Lane, London, E.C.

Notice from lord or tenant, of desire for enfranchisement.

Notice from lord or tenant, of desire for extinguishment of manorial incidents, and enfranchisement.

Information to be furnished to the Board in every case of enfranchisement under the Copyhold Act 1894, with agreement as to compensation between lord and tenant, when they agree.

Agreement between lord and tenant that the Board shall determine the compensation for enfranchisement.

Joint appointment of one valuer by lord and tenant.

Appointment of valuer by lord or tenant.

Notice of appointment of valuer from lord or tenant and calling on the other to appoint his valuer.

Appointment of umpire by valuers.

Consent of lord to include reserved rights.

Decision of valuer or valuers.

Decision of umpire.

Declaration as to lord's title.

Receipt for compensation money.

SYDNEY OLIVIER,
Secretary.

BOARD OF AGRICULTURE AND FISHERIES,
3 ST JAMES'S SQUARE, LONDON, S.W.,
February 1913.

COPYHOLD ENFRANCHISEMENT.

SCALE OF COMPENSATION

IN ORDINARY CASES OF ENFRANCHISEMENT OF COPYHOLDS OF INHERITANCE, FRAMED PURSUANT TO SECTION 66 OF THE COPYHOLD ACT 1894.

Fines Arbitrary.

1. In fine arbitrary cases when a fine is payable on alienation by, as well as on the death of, a tenant, the compensation for fines should not exceed the number of years' annual value of the property according to the age of the tenant as set forth in the table hereto annexed.

2. The table is calculated on the principle that a fine of two years' annual value is payable on each change of tenancy; therefore, in those manors in which the customary fine on alienation by, or on the death of, a tenant is less than two years' annual value, a proportionate reduction should be made in the amount of the compensation.

3. In estimating the annual value of the property, no deduction should be made for land tax, but the quit rent should be deducted, and, where there are buildings, allowance should be made for keeping the buildings in repair. The gross annual value of the land for the poor rate assessment may be used, when applicable, as the basis for ascertaining the annual value.

4. When there are facilities for improvement, or the land has present or prospective building value, one twenty-fifth part of the fee simple value may be taken as the annual value.

Fines Certain.

5. In fine certain cases when a fine is payable on alienation by, as well as on the death of, a tenant, the compensation for fines may be calculated by multiplying the amount of the fine by one-half of the number of years' purchase given in the table according to the age of the tenant.

Reliefs.

6. The amount of compensation for a relief may be calculated in like manner as a fine certain.

Heriots.

7. The compensation for a heriot payable on alienation by, as well as on the death of, a tenant, may be calculated by multiplying the value of the heriot by one-half of the number of years' purchase given in the table according to the age of the tenant.

8. The value of a heriot may generally be ascertained from the average value of the last three heriots taken or paid in respect of the property to be enfranchised. If that information cannot be obtained, or will not apply, the following circumstances should be taken into consideration in fixing the value of a heriot: namely, the nature of the heriot, the character and value of the property, the condition in life of the tenant, and also whether the heriot can be seized as well without as within the manor.

When Fine or Heriot Payable only on One of the Events of Alienation or Death.

9. The table being calculated on the assumption that fines and heriots are payable both on alienation *inter vivos* by a tenant and on his death, when a fine, whether arbitrary or certain, or a heriot, is payable only on one of those events, then only one-half of the compensation calculated as previously directed should be given.

When Fine or Heriot Payable on Death of Lord.

10. In manors in which fines or heriots are payable on the death of the lord, as well as on alienation by, or on the death of, a tenant, the compensation on enfranchisement should be increased according to the nature and amount of the customary fine or heriot payable in the manor on the death of the lord.

Quit Rents and other Annual Payments.

11. The compensation for quit rents, free rents, and other annual rents, services, or payment, should be calculated at 25 years' purchase.

Timber.

12. Compensation for timber should be ascertained as follows:— When by a special custom of the manor the lord can enter upon the land and cut and carry away the timber without the consent of the tenant, its whole value, after making a sufficient allowance for repairs, should be given to the lord. But where there is no special custom, so that the ordinary law of copyholds is applicable and therefore the lord cannot enter and cut without the consent of the tenant, one-half only of its value, after making a sufficient allowance for repairs, should be given. If there be any other special custom in the manor relating to timber, such custom should be regarded.

Forfeitures, etc.

13. The compensation for forfeitures and all other incidents of copyhold tenure not hereinbefore provided for, should not exceed 20 per cent. of the annual value of the property. The annual value may be ascertained as in paragraphs 3 and 4.

Escheat.

14. The right of escheat being reserved to the lord under the Copyhold Act 1894, its value is not to be taken into consideration.

When Land held by Joint Tenants or Tenants in Common.

15. In the case of an enfranchisement by joint tenants, the compensation for fines, and heriots if any, should be based upon such a single life as may be equivalent to the expectation of survivorship of the joint lives; and it is usual to ascertain the age of such single life according to the rules and tables appended to the Succession Duty Act 1853. In the case of an enfranchisement by coparceners or tenants in common, the share of each tenant should be valued separately, having regard to the age of the tenant, and according to the table annexed.

Special Customs or Circumstances.

16. If there be any special customs of the manor, or special circumstances affecting or relating to the land to be enfranchised, or special advantages to arise from the enfranchisement, they should be taken into consideration, and due allowance should be made in respect of them.

Interest.

17. Interest should be made payable by the agreement or decision on the amount of the compensation at the rate of four pounds per cent. per annum from the date of the notice requiring the enfranchisement to the date of payment of the compensation, unless the compensation is paid by way of an annual rent charge under the Act.

18. The foregoing scale is for guidance only, and is not binding as a matter of law in any particular case; but the party requiring enfranchisement should, in accordance with the Act, state to the other party whether or no he is willing to adopt the scale.

SYDNEY OLIVIER,
Secretary.

BOARD OF AGRICULTURE AND FISHERIES,
3 ST JAMES'S SQUARE, LONDON, S.W.

COPYHOLD ENFRANCHISEMENT.

SCALE OF COMPENSATION.

Table of Years' Purchase.

Age of Tenant.	Years' Purchase.	Age of Tenant.	Years' Purchase.	Age of Tenant.	Years' Purchase.	Age of Tenant.	Years' Purchase.
...	...	31	3·07	61	4·14	91	5·02
...	...	32	3·10	62	4·18	92	5·03
...	...	33	3·13	63	4·23	93	5·05
...	...	34	3·16	64	4·27	94	5·06
* 5	2·29	35	3·20	65	4·31	95	5·08
6	2·32	36	3·23	66	4·35	96	5·10
7	2·34	37	3·26	67	4·39	97	5·12
8	2·37	38	3·29	68	4·43	98	5·13
9	2·40	39	3·33	69	4·47	99	5·15
10	2·43	40	3·36	70	4·50	† 100	5·16
11	2·46	41	3·40	71	4·54		
12	2·49	42	3·43	72	4·57		
13	2·52	43	3·46	73	4·60		
14	2·55	44	3·50	74	4·63		
15	2·58	45	3·53	75	4·67		
16	2·61	46	3·57	76	4·70		
17	2·63	47	3·60	77	4·73		
18	2·66	48	3·64	78	4·76		
19	2·69	49	3·67	79	4·78		
20	2·73	50	3·71	80	4·81		
21	2·76	51	3·75	81	4·83		
22	2·79	52	3·78	82	4·85		
23	2·82	53	3·82	83	4·88		
24	2·85	54	3·86	84	4·90		
25	2·88	55	3·90	85	4·92		
26	2·91	56	3·93	86	4·94		
27	2·94	57	3·97	87	4·95		
28	2·97	58	4·01	88	4·97		
29	3·00	59	4·06	89	4·99		
30	3·04	60	4·10	90	5·00		

* or under. † or upwards.

In constructing this Table a fine arbitrary on admission has been taken as equivalent to 2 years' annual value, and whilst the average fine interval has been assumed to be 14 years, regard has been had to the age of the tenant on the rolls.

COPYHOLD ACT 1894.

Second Schedule.

SCALE OF STEWARD'S COMPENSATION.

(Section 9.)

	£	*s.*	*d.*
When the Consideration for the Enfranchisement—			
Does not exceed £1	0	5	0
Exceeds £1 but does not exceed £5 . . .	0	10	0
„ £5 „ „ „ £10 . . .	1	0	0
„ £10 „ „ „ £15 . . .	2	0	0
„ £15 „ „ „ £20 . . .	3	0	0
„ £20 „ „ „ £25 . . .	4	0	0
„ £25 „ „ „ £50 . . .	6	0	0
„ £50 „ „ „ £100 . . .	7	0	0
For every additional £50 or fractional part of £50, over and above the first £100 . . .	0	10	0

The compensation to be exclusive of stamps and paper or parchment or map or plan, which are to be paid for by the tenant.

BOARD OF AGRICULTURE AND FISHERIES.

BOARD'S FEES.

FEES TO BE TAKEN IN RESPECT OF TRANSACTIONS UNDER THE COPYHOLD ACT 1894, IN ACCORDANCE WITH THE PROVISIONS OF THE INCLOSURE, ETC., EXPENSES ACT 1868 (31 & 32 VICT. c. 89).

On Enfranchisements—	£	s.	d.
Where the enfranchisement consideration money does not exceed the sum of 1*l.*	0	5	0
Exceeding 1*l.* and not exceeding 5*l.*	0	10	0
,, 5*l.* ,, 10*l.*	1	0	0
,, 10*l.* ,, 15*l.*	1	10	0
,, 15*l.* ,, 20*l.*	2	0	0
,, 20*l.* ,, 25*l.*	2	10	0
,, 25*l.* ,, 50*l.*	3	0	0
,, 50*l.* ,, 75*l.*	3	10	0
,, 75*l.* ,, 100*l.*	4	0	0
,, 100*l.* ,, 125*l.*	4	10	0
,, 125*l.* ,, 150*l.*	5	0	0
,, 150*l.* ,, 175*l.*	5	10	0
,, 175*l.* ,, 200*l.*	6	0	0
,, 200*l.* ,, 250*l.*	6	10	0
,, 250*l.* ,, 300*l.*	7	0	0
,, 300*l.* ,, 350*l.*	7	10	0
,, 350*l.* ,, 400*l.*	8	0	0
,, 400*l.* ,, 450*l.*	8	10	0
,, 450*l.* ,, 500*l.*	9	0	0
,, 500*l.* ,, 550*l.*	9	10	0
,, 550*l.* ,, 600*l.*	10	0	0
For every additional 100*l.* or part of 100*l.*	0	10	0

Where the enfranchisement consideration is a Rent charge, the fee will be computed on the value of the Rent charge calculated at 25 years' purchase.

Where the enfranchisement consideration is land, the fee will be computed on the fee simple value of the land.

Where the enfranchisement terms are fixed by the Board on agreed data, at the request of the parties, a fee of . 1 0 0

	£	s.	d.
On every Certificate of charge on property enfranchised, a fee of	0	10	0
On every Certificate fixing the sum of money in consideration of which a Rent charge may be redeemed, a fee of	0	10	0
On every consent by the Board to the application of enfranchisement money (or the stock in which it may have been invested) to the purchase of land. For every 50*l.* or part of 50*l.* expended	0	2	6
On every decision by the Board or an Officer of the Board, a fee of	2	0	0
On every award defining the boundaries of lands for the purpose of enfranchisement, a fee of . . .	5	0	0
On the amendment of any Award, or Deed of Enfranchisement or other Instrument confirmed under the Copyhold Acts, a fee of	2	0	0

SYDNEY OLIVIER,
Secretary.

BOARD OF AGRICULTURE AND FISHERIES,
3 ST JAMES'S SQUARE, LONDON, S.W.

BOARD OF AGRICULTURE AND FISHERIES.

ENFRANCHISEMENT UNDER THE COPYHOLD ACT 1894.

VALUERS' FEES.

SCALE OF ALLOWANCES TO VALUERS FOR THEIR SERVICES IN THE EXECUTION OF THE COPYHOLD ACT 1894, FRAMED IN PURSUANCE OF SECTION 66 OF THE ACT.

	Allowance. £	s.	d.
Where the annual value of the property enfranchised does not exceed . . . 10*l.* . .	2	10	0
Exceeds 10*l.* and does not exceed . 25*l.* . .	3	0	0
„ 25*l.* „ . 50*l.* . .	4	0	0
„ 50*l.* „ . 75*l.* . .	5	0	0
„ 75*l.* „ . 100*l.* . .	6	0	0
„ 100*l.* „ . 125*l.* . .	7	0	0
„ 125*l.* „ . 150*l.* . .	8	0	0
„ 150*l.* „ . 200*l.* . .	9	0	0
For every additional 50*l.* or fractional part of 50*l.* .	1	0	0

In addition to the above, an allowance is approved in respect of so much of the compensation as is not payable for fines, or based on annual value, of 5 per cent. upon the amount of such compensation up to 50*l.*, and 2½ per cent. upon the amount of such compensation, if any, in excess of 50*l.*

Charges for tracings or plans, when plans are necessary, will be allowed, but Ordnance Survey Maps should be used whenever practicable.

When a case is referred to an umpire, an additional allowance to the valuers is approved, regard being had to the time occupied for attendance before the umpire.

This scale is for guidance, and is applicable only to cases of an ordinary character. It does not include travelling and other expenses out of pocket.

By order of the Board,

SYDNEY OLIVIER,
Secretary.

BOARD OF AGRICULTURE AND FISHERIES,
3 ST JAMES'S SQUARE, LONDON, S.W.,
January 1914.

THIRD SCHEDULE OF THE VALUATION (METROPOLIS) ACT 1869.

TABLE OF MAXIMUM DEDUCTIONS FOR CONVERTING "GROSS" TO "RATEABLE."

	Maximum rate of Deductions. Per cent. or Proportion.
Class 1. Houses and buildings, or either of them, without land other than gardens, where the gross value is under £20 . .	25 or $\frac{1}{4}$th
,, 2. Houses and buildings without land other than gardens and pleasure grounds, valued therewith for the purpose of inhabited house duty, where the gross value is £20 and under £40 . .	20 or $\frac{1}{5}$th
,, 3. Houses and buildings without land other than gardens and pleasure grounds, valued therewith for the purpose of inhabited house duty, where the gross value is £40 or upwards . . .	16$\frac{2}{3}$ or $\frac{1}{6}$th
,, 4. Buildings without land which are not liable to inhabited house duty and are of a gross value of £20 and under £40 .	20 or $\frac{1}{5}$th
,, 5. Buildings without land which are not liable to inhabited house duty and are of a gross value of £40 or upwards . .	16$\frac{2}{3}$ or $\frac{1}{6}$th
,, 6. Land with buildings not houses . .	10 or $\frac{1}{10}$th
,, 7. Land without buildings	5 or $\frac{1}{20}$th
,, 8. Mills and manufactories	33$\frac{1}{3}$ or $\frac{1}{3}$rd
,, 9. Tithes, tithe commutation rent charge and other payment in lieu of tithe.	To be determined in each case according to the circumstances and the general principles of law.
,, 10. Railways, canals, docks, tolls, water works, gas works.	
,, 11. Rateable hereditaments not included in any of the foregoing classes.	

The maximum rate of reductions prescribed in this Schedule shall not apply to houses or buildings let out in separate tenements, but the rate of deductions in such cases shall be determined as in Classes 9, 10, and 11.

Appendix B.

County of London.

ASSESSMENT AND VALUATION CONFERENCE, 1914.

RESOLUTIONS passed at a Conference of the Local Government Committee of the London County Council with representatives of the Corporation of the City of London, the Metropolitan Borough Councils and Assessment Committees, the Metropolitan Asylums Board and the Metropolitan Water Board, held on 15th and 25th May and 13th July 1914, to consider (i.) matters of assessment procedure and practice in connection with the quinquennial valuation of property in London in the year 1915; and (ii.) the recommendations of the Departmental Committee on Local Taxation in regard to the machinery of rating.

A. MATTERS RELATING TO ASSESSMENT PROCEDURE AND PRACTICE.

1. *Weekly and Monthly Tenancies.*

(*a*) That in converting weekly and monthly tenancies into hypothetical yearly tenancies, for the purpose of arriving at the gross value, the annual payments for rates (including water) and house duty (if any) shall be deducted from the annual amount receivable by weekly or monthly payments, according to the amount of the rate in the pound, and that the scale of deduction shown in Table A be approved.

(*b*) That in the case of artisans' dwellings, each tenement shall be regarded as a separate hereditament for assessment purposes.

NOTE.—Allowance for the additional expense of a caretaker and common staircase may be considered as included in the statutory deduction.

TABLE A.—Scale for the Assessment of

Weekly Rent.		Total Amount per Annum.	Rates per £.									
			6s.		6s. 6d.		7s.		7s. 6d.		8s.	
s.	*d.*	£ *s.*	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £
1	0	2 12	2	2	2	2	2	2	2	2	2	2
1	6	3 18	3	3	3	3	3	3	3	3	3	3
2	0	5 4	4	3	4	3	4	3	4	3	4	3
2	6	6 10	5	4	5	4	5	4	4	3	4	3
3	0	7 16	6	5	5	4	5	4	5	4	5	4
3	6	9 2	6	5	6	5	6	5	6	5	6	5
4	0	10 8	7	6	7	6	7	6	7	6	7	6
4	6	11 14	8	6	8	6	8	6	8	6	8	6
5	0	13 0	9	7	9	7	9	7	9	7	9	7
5	6	14 6	10	8	10	8	10	8	10	8	10	8
6	0	15 12	11	9	11	9	11	9	10	8	10	8
6	6	16 18	12	9	12	9	12	9	11	9	11	9
7	0	18 4	13	10	13	10	13	10	12	9	12	9
7	6	19 10	14	11	14	11	14	11	13	10	13	10
8	0	20 16	15	12	15	12	14	11	14	11	14	11
8	6	22 2	16	12	16	12	15	12	15	12	15	12
9	0	23 8	17	13	17	13	16	12	16	12	16	12
9	6	24 14	18	14	17	13	17	13	17	13	17	13
10	0	26 0	19	15	18	14	18	14	18	14	17	13
10	6	27 6	19	15	19	15	19	15	19	15	18	14
11	0	28 12	20	16	20	16	20	16	20	16	19	15
11	6	29 18	21	17	21	17	20	16	20	16	20	16
12	0	31 4	22	18	22	18	21	17	21	17	21	17
12	6	32 10	23	19	22	18	22	18	22	18	21	17
13	0	33 16	24	20	23	19	23	19	23	19	22	18
13	6	35 2	25	20	24	20	24	20	23	19	23	19
14	0	36 8	26	21	25	20	25	20	24	20	24	20
14	6	37 14	27	22	26	21	26	21	25	20	25	20
15	0	39 0	27	22	27	22	27	22	26	21	26	21
15	6	40 6	28	23	28	23	27	22	27	22	27	22
16	0	41 12	29	24	29	24	28	23	28	23	28	23
16	6	42 18	30	24	30	24	29	24	29	24	28	23
17	0	44 4	31	25	31	25	30	24	30	24	29	24
17	6	45 10	32	26	32	26	31	25	31	25	30	24
18	0	46 16	33	27	33	27	32	26	32	26	31	25
18	6	48 2	34	28	33	27	33	27	32	26	32	26
19	0	49 8	35	28	34	28	34	28	33	27	33	27
19	6	50 14	36	29	35	28	35	28	34	28	34	28
20	0	52 0	37	30	36	29	36	29	35	28	35	28

Weekly and Monthly Properties.

Rates per £.

8s. 6d.		9s.		9s. 6d.		10s.		10s. 6d.		11s.		11s. 6d.		12s.	
G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £	G.V. £	R.V. £
2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1
3	3	3	3	3	3	3	3	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
4	3	4	3	4	3	4	3	4	3	4	3	4	3	4	3
5	4	5	4	5	4	5	4	5	4	5	4	5	4	4	3
6	5	6	5	6	5	5	4	5	4	5	4	5	4	5	4
7	6	6	5	6	5	6	5	6	5	6	5	6	5	6	5
8	6	7	6	7	6	7	6	7	6	7	6	7	6	7	6
9	7	8	6	8	6	8	6	8	6	8	6	8	6	8	6
9	7	9	7	9	7	9	7	9	7	9	7	9	7	9	7
10	8	10	8	10	8	10	8	10	8	10	8	9	7	9	7
11	9	11	9	11	9	10	8	10	8	10	8	10	8	10	8
12	9	12	9	12	9	11	9	11	9	11	9	11	9	11	9
13	10	13	10	12	9	12	9	12	9	12	9	12	9	12	9
14	11	13	10	13	10	13	10	13	10	13	10	13	10	13	10
15	12	14	11	14	11	14	11	14	11	14	11	14	11	13	10
16	12	15	12	15	12	15	12	15	12	15	12	14	11	14	11
17	13	16	12	16	12	16	12	16	12	16	12	15	12	15	12
17	13	17	13	17	13	17	13	17	13	16	12	16	12	16	12
18	14	18	14	18	14	17	13	17	13	17	13	17	13	17	13
19	15	19	15	18	14	18	14	18	14	18	14	18	14	18	14
20	16	19	15	19	15	19	15	19	15	19	15	18	14	18	14
20	16	20	16	20	16	19	15	19	15	19	15	19	15	19	15
21	17	21	17	21	17	20	16	20	16	20	16	20	16	20	16
22	18	22	18	21	17	21	17	21	17	21	17	21	17	20	16
23	19	22	18	22	18	22	18	22	18	22	18	21	17	21	17
24	20	23	19	23	19	23	19	23	19	22	18	22	18	22	18
25	20	24	20	24	20	23	19	23	19	23	19	23	19	22	18
25	20	25	20	25	20	24	20	24	20	24	20	24	20	23	19
26	21	26	21	26	21	25	20	25	20	25	20	25	20	24	20
27	22	27	22	26	21	26	21	26	21	26	21	26	21	25	20
28	23	28	23	27	22	27	22	27	22	27	22	26	21	26	21
29	24	28	23	28	23	28	23	28	23	27	22	27	22	26	21
30	24	29	24	29	24	28	23	28	23	28	23	28	23	27	22
31	25	30	24	30	24	29	24	29	24	29	24	28	23	28	23
32	26	31	25	31	25	30	24	30	24	30	24	29	24	29	24
32	26	32	26	31	25	31	25	31	25	31	25	30	24	30	24
33	27	33	27	32	26	32	26	32	26	31	25	31	25	31	25
34	28	33	27	33	27	33	27	33	27	32	26	32	26	31	25

2. *Quarterly and Yearly Tenancies and Three Years' Agreements.*

That in the case of properties held by quarterly or yearly tenants, or under written agreements for not more than three years, the amount returned as the *bona fide* rent paid shall, as a general rule, be considered to be the gross value, if the landlord undertakes to insure and bear the cost of all repairs, and the tenant pays tenants' rates and taxes.

3. *Agreements and Leases for a Term.*

(*a*) That in the case of ordinary agreements for years, where the landlord undertakes repairs, the rent reserved under agreement shall, as a general rule, be taken as representing gross value; that in the case of agreements for years, where the tenant undertakes internal repairs only, 5 per cent. shall be added to the rent under agreements to arrive at gross value.

(*b*) That where an ordinary repairing lease for a term, at a rack rent, has been granted not more than 5 years prior to the date of assessment, and no premium or other consideration has been paid, and the lessee has not expended any money for improvements, the rent reserved, plus 10 per cent., shall, as a general rule, be taken as indicating the gross value in classes 1, 2, 3, 4 and 5 of the Third Schedule to the Valuation (Metropolis) Act 1869.

(*c*) That where a premium has been paid, or outlay incurred by a lessee under an ordinary repairing lease, by which the annual value is increased (provided the amount of the increased letting value due to such outlay cannot be otherwise ascertained), there shall be added to the rent reserved a proportion of the premium and outlay, calculated in accordance with Table B (hereto annexed), and the result, together with 10 per cent. added, shall be taken as indicating the gross value.

(*d*) That in the case of leases granted more than 5 years prior to the date of assessment, the same course shall be adopted as laid down in paragraphs (*b*) and (*c*), but the rent reserved under the lease shall be reviewed, and any change of value affecting the property taken into consideration.

TABLE B.—To Convert a Premium or other Capital Outlay into its Annual Equivalent according to the Length of the Lease at Various Rates of Interest.

This table has been prepared in order to show the divisor to be used at five different rates of interest, ranging from 4 to 6 per cent., in order to cover all probable variations. In order to determine which column to use, reference ought to be made to similar properties let at rack rentals, and the column which produces the closest approximation to such rack rental should be adopted. Broadly speaking, if a premium contains no other element than land value, the 4 per cent. column should be employed; if it represents nothing but structural value, the 6 per cent. column; and the cases between those two extremes should be dealt with by one or other of the three intervening columns according to the respective proportions of land and structure in the premium paid.

Length of Lease.	4%.	4½%.	5%.	5½%.	6%.	Length of Lease.	4%.	4½%.	5%.	5½%.	6%.
Years.	Divisor.	Divisor.	Divisor.	Divisor.	Divisor.	Years.	Divisor.	Divisor.	Divisor.	Divisor.	Divisor.
1	·96	·96	·95	·95	·94	31	17·6	16·5	15·6	14·7	13·9
2	1·9	1·9	1·9	1·9	1·8	32	17·8	16·8	15·8	14·9	14·1
3	2·8	2·8	2·7	2·7	2·7	33	18·1	17·0	16·0	15·1	14·2
4	3·6	3·6	3·5	3·5	3·5	34	18·4	17·2	16·2	15·2	14·4
5	4·5	4·4	4·3	4·3	4·2	35	18·7	17·5	16·4	15·4	14·5
6	5·2	5·2	5·1	5·0	4·9	36	18·9	17·7	16·6	15·5	14·6
7	6·0	5·9	5·8	5·7	5·6	37	19·1	17·9	16·7	15·7	14·7
8	6·7	6·6	6·5	6·3	6·2	38	19·4	18·1	16·9	15·8	14·8
9	7·4	7·3	7·1	7·0	6·8	39	19·6	18·2	17·0	15·9	14·9
10	8·1	7·9	7·7	7·5	7·4	40	19·8	18·4	17·2	16·0	15·0
11	8·8	8·5	8·3	8·1	7·9	41	20·0	18·6	17·3	16·2	15·1
12	9·4	9·1	8·9	8·6	8·4	42	20·2	18·7	17·4	16·3	15·2
13	10·0	9·7	9·4	9·1	8·8	43	20·4	18·9	17·5	16·4	15·3
14	10·6	10·2	9·9	9·6	9·3	44	20·6	19·0	17·7	16·5	15·4
15	11·1	10·7	10·4	10·0	9·7	45	20·7	19·2	17·8	16·6	15·5
16	11·6	11·2	10·8	10·5	10·1	46	20·9	19·3	17·9	16·6	15·5
17	12·2	11·7	11·3	10·9	10·5	47	21·0	19·4	18·0	16·7	15·6
18	12·7	12·2	11·7	11·2	10·8	48	21·2	19·5	18·1	16·8	15·7
19	13·1	12·6	12·1	11·6	11·2	49	21·3	19·6	18·2	16·9	15·7
20	13·6	13·0	12·5	12·0	11·5	50	21·5	19·8	18·3	16·9	15·8
21	14·0	13·4	12·8	12·3	11·8	51	21·6	19·9	18·4	17·0	15·8
22	14·5	13·8	13·2	12·6	12·0	52	21·7	20·0	18·4	17·1	15·9
23	14·9	14·2	13·5	12·9	12·3	53	21·9	20·1	18·5	17·1	15·9
24	15·3	14·5	13·8	13·2	12·6	54	22·0	20·1	18·6	17·2	16·0
25	15·6	14·8	14·1	13·4	12·8	55	22·1	20·2	18·6	17·2	16·0
26	16·0	15·2	14·4	13·7	13·0	56	22·2	20·3	18·7	17·3	16·0
27	16·3	15·5	14·6	13·9	13·2	57	22·3	20·4	18·8	17·3	16·1
28	16·7	15·7	14·9	14·1	13·4	58	22·4	20·5	18·8	17·4	16·1
29	17·0	16·0	15·1	14·3	13·6	59	22·5	20·6	18·9	17·4	16·1
30	17·3	16·3	15·4	14·5	13 7	60	22·6	20·6	19·0	17·4	16·2

4. *Freeholds and Long Leaseholds.*

(*a*) That the rent which a yearly tenant might fairly be expected to pay shall be taken as the gross value in every instance where the property might fairly be so let.

(*b*) That where this test cannot be applied, either the ground rent (if recently fixed) or the estimated value of the land for the purpose for which it is used, calculated at 3, $3\frac{1}{2}$, or 4 per cent. on the capital value thereof, together with 5, $5\frac{1}{2}$, 6, or 7 per cent. on the present value of the buildings, plus an adequate amount for repairs, shall be taken as indicating the gross value. As a rule, 5 per cent. should be applied to the most costly buildings and 7 per cent. to those of least value.

5. *Rows of Similar Houses.*

That in the case of any two or more houses in the same street or road, containing the same number of rooms, and alike in every particular as to accommodation, but let at various rents, the average rent shall, unless there are exceptional circumstances, be taken as the basis of assessment.

6. *Flats.*

(*a*) That, in assessing offices, chambers, and residential suites and flats let at inclusive rentals, the standard rate of allowance to be deducted from the rent paid to obtain the gross value shall be as follows, according to the class or character of the letting—

(i) Chambers and offices, $27\frac{1}{2}$ per cent.
(ii) Residential suites and flats, $33\frac{1}{3}$ per cent.

Provided that where these percentages are alleged to be insufficient, the landlord's actual outgoings (other than in respect of repairs, maintenance, and insurance) shall be deducted in order to obtain the gross value.

(*b*) That flat property should be placed in class 11 of the Third Schedule to the Valuation (Metropolis) Act 1869, and that the maximum rate of deduction provided by classes 1, 2, 3, 4, and 5 should, as far as practicable, be adopted in arriving at the rateable value thereof.

7. *Houses Let in Flats.*

That where a house has been originally built for the occupation of two or more families or converted into flats for that purpose, each flat being structurally adapted for separate occupation or self-contained, and let to a separate tenant by a none-resident landlord, each flat shall be separately rated.

8. *Houses Let in Lodgings or Apartments.*

That where a house originally built for the occupation of one family and not since adapted structurally for separate occupation

or self-contained, is wholly let out in apartments or lodgings by a non-resident owner, for which he is to be rated under section 7 of the Representation of the Peoples Act 1867, such house shall be assessed as a whole on the basis of the comparative value of similar houses and the rent a hypothetical tenant would be willing to pay, having regard to all possible risks (loss of rent, etc.) incidental thereto.

9. *Premises Licensed for the Sale of Intoxicating Liquors.*

(*a*) That in the case of freehold public-houses, beerhouses, and other licensed premises, 4 per cent. on the present value of the land, together with 6 per cent. on the present value of the building, shall be taken as the rent, and that, together with 5 per cent. on half the premium which would be given for the premises and business subject to such rent, shall be taken as indicating the gross value.

(*b*) That in the case of public-houses, beerhouses, and other licensed premises, held on building lease, the ground rent, together with 5, 5½, 6, or 7 per cent. on the present value of the building, shall be taken as the rent, and that, together with 5 per cent. calculated on the basis of Table C (hereto annexed), on half the premium which would be given for the premises and business, shall be taken as indicating the gross value.

(*c*) That where public-houses, beerhouses, and other licensed premises are held on an ordinary repairing lease, the rent reserved, together with a proportion of any structural outlay incurred by the lessee, and a proportion of half the premium, both proportions calculated in accordance with Table C, with 10 per cent. added, shall be taken as indicating the gross value.

(*d*) That in the case of a licensed house alleged to be subject to a tie the rent reserved to the brewer may be disregarded, and the annual value should be calculated at not less than the annual rent which would be given for it as a free house in arriving at the gross value; and grocers' off-licences should be dealt with on the same principles so far as the premium or selling value can be ascertained.

(*e*) That in all cases, as an alternative, licensed premises may be assessed on the basis of the trade done.

(*f*) That where a licence has been granted since the commencement of a holding, and no premium paid therefor, the increase in value shall be estimated, and in cases where houses are let by brewers or other firms to annual tenants, and no premium or other consideration is paid, the fact of a licence being attached to the premises shall be taken into consideration, and the annual value shall be calculated at not less than the annual rent which would be given for it as a free house in arriving at the gross value.

(*g*) That, with a view to obtaining the requisite information for the purpose of the assessment of licensed premises, Assessment Committees should make use of their powers under section 57 of the Valuation (Metropolis) Act 1869.

TABLE C.—To Convert Half the Premium into its Annual Equivalent.

Length of Lease in Years.	Divisor.	Length of Lease in Years.	Divisor.	Length of Lease in Years.	Divisor.	Length of Lease in Years.	Divisor.
1	·95	16	10·8	31	15·6	46	17·9
2	1·9	17	11·3	32	15·8	47	18·0
3	2·7	18	11·7	33	16·0	48	18·1
4	3·5	19	12·1	34	16·2	49	18·2
5	4·3	20	12·5	35	16·4	50	18·3
		21	12·8			51	18·4
6	5·1	22	13·2	36	16·6	52	18·4
7	5·8	23	13·5	37	16·7	53	18·5
8	6·5	24	13·8	38	16·9	54	18·6
9	7·1	25	14·1	39	17·0	55	18·6
10	7·7			40	17·2		
11	8·3	26	14·4	41	17·3	56	18·7
12	8·9	27	14·6	42	17·4	57	18·8
13	9·4	28	14·9	43	17·5	58	18·8
14	9·9	29	15·1	44	17·7	59	18·9
15	10·4	30	15·4	45	17·8	60	19·0

10. *Theatres, Music Halls, and Picture Palaces.*

That, in the absence of direct or other satisfactory evidence of rental value, theatres, music halls, and picture palaces should be assessed on the basis of net earnings.

11. *Cemeteries.*

That the assessment of all cemeteries be made on the basis of profits, and that it is desirable that the private or local Acts exempting or partially exempting cemeteries from assessment be so amended as to enable such cemeteries to be rated on this basis.

12. *Advertisement Hoardings.*

(*a*) That the assessment of an advertisement hoarding should be independent of the hereditament to which the advertisements are affixed.

(*b*) That where there is a prospect of repairs, the deduction to be made from the gross to arrive at the rateable value be 5 per cent.

(*c*) That temporary hoardings, wherever rateable, shall be rated according to rental, and that in the case of such temporary hoardings no deduction be allowed as between gross and rateable.

13. *Machinery.*

(*a*) That in the case of premises where the assessable value is enhanced by the presence of plant and machinery essentially

necessary to the business carried on, and which it is intended should remain attached to the premises so long as they are used for the purposes of the business, such enhanced value, unless already covered by the rent paid by the occupier, shall be taken into account.

(*b*) That, having due regard to necessary modifications in special cases, not exceeding $7\frac{1}{2}$ per cent. of the capital value of rateable machinery shall be taken as the maximum percentage for gross value.

(*c*) That the maximum deduction of one-third should not be allowed as a matter of course, but the amount should vary between one-third and one-sixth according to the proportion of machinery included in the assessment.

14. *Mains, Pipes, etc.*

That any extension of live mains of a supply undertaking between two quinquennial revaluations be assessed, as a temporary expedient, on the basis of the existing mileage of live mains.

15. *Special Properties.*

That public buildings (including workhouses, town halls, public libraries, schools, baths, washhouses, and public conveniences) should be assessed at a gross value, calculated at 3, $3\frac{1}{2}$, or 4 per cent. on the present value of the land and 5 per cent. on the value of the buildings erected thereon.

16. *Underground Sewers.*

That it is inexpedient that underground sewers in the Administrative County of London should be rated.

17. *Government Property.*

That in the opinion of this Conference, Government property should be made rateable and valued for that purpose on the same basis and in the same manner as other property.

18. *To Obtain the Rateable Value from the Gross Annual Value.*

That the rateable value shall be obtained by a deduction from the gross annual value, as provided by section 52 of the Valuation (Metropolis) Act 1869. The deductions shown in Table D (hereto annexed) are the maxima allowed by the Act (excluding fractions of a pound) in respect of classes 1 to 5 in the Third Schedule thereto.

TABLE D.—Showing the *Maximum* Deduction to be made from the Gross Annual Value to obtain the Rateable Value (Classes 1 to 5).

Class 1 includes houses and buildings under £20. Maximum rate of deduction, 25 per cent., or one-fourth.

Classes 2 and 4 include houses and buildings of £20 and under £40. Maximum rate of deduction, 20 per cent., or one-fifth.

Classes 3 and 5 include houses and buildings of £40 and above. Maximum rate of deduction, 16⅔ per cent., or one-sixth.

Gross Value. £	Deduction per Cent.	Rateable Value. £	Gross Value. £	Deduction per Cent.	Rateable Value. £	Gross Value. £	Deduction per Cent.	Rateable Value. £
..	...	...	51	15 8/21	43	105	16 4/7	88
...	...	...	52	15 5/13	44	110	16 4/11	92
...	...	...	53	15 5/53	45	115	16 1/23	96
4	25	3	54	16⅔	45	120	16⅔	100
5	20	4	55	16 1/11	46	125	16	105
6	16⅔	5	56	16 1/14	47	130	16 3/13	109
7	14 2/7	6	57	15 1/19	48	135	16 3/27	113
8	25	6	58	15 2/29	49	140	16 2/7	117
9	22⅔	7	59	15 1/59	50	145	16 1/29	121
10	20	8	60	16⅔	50	150	16⅔	125
11	18 2/11	9	61	16 2/31	51	155	16 3/31	130
12	25	9	62	16 3/31	52	160	16¼	134
13	23 1/13	10	63	15 8/63	53	165	16 4/11	138
14	21⅔	11	64	15⅝	54	170	16 1/17	142
15	20	12	65	15 3/13	55	175	16⅔	146
16	25	12	66	16⅔	55	180	16⅔	150
17	23 9/17	13	67	16⅔	56	185	16 3/37	155
18	22⅔	14	68	16 3/17	57	190	16 4/19	159
19	21 1/19	15	69	15⅔	58	195	16⅔	163
20	20	16	70	15⅔	59	200	16½	167
21	19 1/21	17	71	15⅔	60	205	16⅔	171
22	18 2/11	18	72	16⅔	60	210	16⅔	175
23	17 9/23	19	73	16⅔	61	215	16⅔	180
24	16⅔	20	74	16 3/37	62	220	16 4/11	184
25	20	20	75	16	63	225	16⅔	188
26	19 1/13	21	76	15 1/19	64	230	16⅔	192
27	18 1/27	22	77	15⅔	65	235	16⅔	196
28	17⅞	23	78	16⅔	65	240	16⅔	200
29	17 7/29	24	79	16⅔	66	245	16⅔	205
30	20	24	80	16½	67	250	16⅔	209
31	19 1/31	25	81	16 4/81	68			
32	18⅔	26	82	15 1/41	69			
33	18 9/33	27	83	15⅔	70			
34	17 1/17	28	84	16⅔	70			
35	20	28	85	16 1/17	71			
36	19⅝	29	86	16⅓	72			
37	18⅔	30	87	16 8/87	73			
38	18 1/19	31	88	15 1/22	74			
39	17⅔	32	89	15⅔	75			
40	15	34	90	16⅔	75			
41	14 1/41	35	91	16⅔	76			
42	16⅔	35	92	16 7/23	77			
43	16⅓	36	93	16 3/31	78			
44	15 1/11	37	94	15⅔	79			
45	15⅔	38	95	15⅓	80			
46	15 5/23	39	96	16⅔	80			
47	16⅔	40	97	16⅔	81			
48	16⅔	40	98	16⅓	82			
49	16⅓	41	99	16⅔	83			
50	16	42	100	16	84			

These maxima have been adopted so far as is consistent with leaving the rateable values unfettered by fractional parts of a pound.

19. *Date of Valuation Lists.*

(*a*) That the quinquennial list should be made up to include all properties ready for assessment up to 5th April inclusive in the year in which the list is made, and should also incorporate new properties contained in provisional lists made between 6th April and the date of approval of the quinquennial list by the Assessment Committee before its re-deposit; and that, in the cases of properties which are contained in provisional lists during this period by reason of alteration in value, the quinquennial list should be revised so as to show the values which are to be in force when the quinquennial list comes into force.

(*b*) That supplemental lists should contain only the hereditaments affected by the alterations which have taken place during the preceding twelve months to 5th April inclusive in any of the matters stated in the valuation list.

20. *Form of Valuation List.*

That the form of valuation list approved by the Assessment Conference in 1914 be adopted. (See pages 406 and 407.)

21. *Provisional and Supplemental Lists.*

(*a*) That it is expedient that, as a general rule, every hereditament (except those from time to time taken out of assessment) to be inserted in a supplemental list shall previously appear in a provisional list.

(*b*) That it is undesirable to carry forward the totals from any quinquennial list or any previous supplemental list into a subsequent supplemental list.

(*c*) That all hereditaments structurally complete and ready for occupation, although not occupied, should be included in the list, and that, to encourage a uniform practice in this respect, this Conference is of the opinion that allowance should be made by the authorities issuing precepts, in the subsequent precepts, for the value of the unoccupied property of the previous year, and that the law should be amended accordingly.

(*d*) That it is desirable that there should be a uniform practice in regard to the reassessment of properties under section 47 of the Valuation (Metropolis) Act 1869.

22. *Owners' Returns.*

That, the Courts having decided in the cases of *White and Hales* v. *Islington* and *Griggs* v. *Stevens* that non-resident owners of dwelling-houses or tenements wholly let out in apartments or lodgings are to be rated therefor under section 7 of the Representation of the People Act 1867, and difficulties having arisen in regard to the collection of rates in consequence of the presumed non-applicability

of the Poor Rate Assessment and Collection Act 1869, which defines the owner to be any person receiving rent, either for his own use or for any person for whom he is acting as agent, this Conference do apply to H.M. Treasury, in pursuance of section 56 of the Valuation (Metropolis) Act 1869, to make such amendments in the quinquennial valuation returns as will enable the rating authorities to ascertain the name and address of the owner when the return is made by the agent.

23. *Proceedings of Conference.*

That this Conference trusts that the decisions arrived at will be loyally observed by the several valuation and assessment authorities of the Metropolis in order to procure, as far as possible, uniformity of valuation and assessment.

24. *Exercise of Powers by the London County Council.*

That, pending legislation, it is desirable that the London County Council should exercise such powers as it may possess under the Valuation (Metropolis) Act 1869, with a view to securing a fair valuation to common charges of every parish included within the Administrative County of London.

B. Matters relating to the Amendment of the Valuation Law.*

1. *Form of Return by Owners and Occupiers.*

That the overseers should be empowered to require, in connection with the preparation of provisional and supplemental valuation lists, that owners and occupiers shall furnish a return of particulars with reference to rents, etc., such as they are required to make in the quinquennial year.

2. *Omissions from, and Errors in, Valuation List.*

That, in any amendment of the law, provision should be made that if it shall appear that there is any omission from, or error in, the new or supplemental list, whether such omission or error be discovered in the course of the year or at any other time, such omission or error may be rectified by means of a provisional list.

3. *Rateable Value, a Whole Pound.*

That in any amendment of the law provision should be made for the rateable value of all hereditaments to be calculated in whole pounds.

* See also Resolutions 11, 16, 17, and 21 (*c*) (pp. 398, 399, and 401), relating to assessment procedure and practice, on the subject of cemeteries, underground sewers, government property, and provisional and supplemental lists, respectively, which contain proposals involving the amendment of the law.

4. *Correction of Totals and Revision of Assessments.*

(*a*) That a simpler and more expeditious means of obtaining the correction of the totals of a valuation or supplemental list, consequent upon the alteration of the value of a hereditament made on appeal to special or quarter sessions, should be available in lieu of a special appeal to quarter sessions for the purpose, and that power to make such corrections be given to the Assessment Committee, by whom notice of alterations in totals would be given to the clerk of the London County Council, pursuant to section 41 of the Valuation (Metropolis) Act 1869.

(*b*) That the existing law should be so amended as to provide that the Overseers or the Assessment Committee may review and revise the assessment of any hereditament at any time where the circumstances in their opinion justify them in doing so; and that where in the course of any year the value of any hereditament is from any cause increased or reduced, the overseers, or in their default, the Assessment Committee, shall revise the assessment thereof.

5. *Markets.*

That this Conference is of the opinion that in any amendment of the valuation law provision should be made for the assessment of markets on a basis by which all tolls taken in respect of a market should be considered as revenue having a bearing on the rent which a tenant might reasonably be expected to pay for such market, and such revenue shall be taken into account in arriving at the rateable value.

6. *Assessment Authorities.*

(*a*) That the appointment of assessment committees by certain of the Boards of Guardians in London is an anomaly which should be removed at the earliest possible date, and that each Metropolitan Borough Council should appoint the assessment committee for the whole of the borough.

(*b*) That this Conference views with disfavour any change in the law which would remove from the Corporation of the City of London and the councils of the metropolitan boroughs the work of assessment for the purpose of rating and the collection of rates in the Metropolis, or which would deprive the work of the benefit of that local knowledge and experience of facts and circumstances gratuitously rendered under the present system.

C. Matters arising out of the Final Report of the Departmental Committee on Local Taxation.

1. That in the opinion of this Conference, it is highly to be deprecated that the valuation of property in the Metropolis should be dealt with by a Government department whose officials cannot possess such intimate knowledge of the values as are at present possessed by

the existing overseers and assessment committees; and that copies of this resolution be sent to all members of Parliament representing London constituencies and to all valuation and assessment authorities in the Administrative County of London, requesting them to support the resolution.

2. That this Conference strongly deprecates any alteration of the existing machinery and methods of valuation and assessment for rating purposes in the Metropolis, which have worked admirably and equitably.

3. That this Conference is of the opinion that the best method of obtaining a uniform basis of rating would be to extend to the whole of England and Wales the system of valuation at present in operation in the Administrative County of London, where it has in effect secured equitable assessments on a substantially uniform basis.

4. That the preparation of annual valuation lists is impracticable, costly, and unnecessary, whereas the system of quinquennial valuation lists, which has been in operation in the Administrative County of London since 1870, pursuant to the Valuation (Metropolis) Act 1869, has worked so satisfactorily that it should be made universal.

5. That this Conference emphatically protests against the proposal to place the preparation of the valuation lists in the hands of a Government department; and that, in its opinion, this proposal would be inferior to the present system as applied in the Administrative County of London and would at the same time be subversive of the best principles of Local Government.

6. That overseers throughout the country should be required to serve prescribed forms of return upon owners and occupiers, and notices of any alteration in assessment, as is done in the Administrative County of London at the present time.

7. That whilst some minor improvements may be possible in the arrangements with regard to objections, this Conference totally disagrees with the proposal that "If the Land Valuation Office and the overseers agree that an alteration can properly be made to satisfy an objector, he should be informed that he need not attend before the assessment committee"; that, in the opinion of this Conference, this proposal would place too great a power in the hands of individuals and would inevitably open the door to abuses.

8. That this Conference is of the opinion that there is no necessity to alter the constitution of the assessment committees in the Administrative County of London in the manner proposed by the Departmental Committee on Local Taxation.

9. That this Conference is strongly of the opinion that the assessment committees should retain their power to revise the figures in the valuation lists in the absence of an objection thereto.

10. That this Conference is of the opinion that the re-deposit of the valuation lists should not be dispensed with.

11. That an appellate tribunal for the whole country is impracticable, and that there should be an appellate tribunal for each administrative county.

12. That this Conference agrees with the Majority Report of the Departmental Committee on Local Taxation (p. 73) in their condemnation of the suggested introduction of site values into the general rating system.

13. That the foregoing resolutions of the Conference relating to the report of the Departmental Committee on Local Taxation be transmitted to the Prime Minister, the Chancellor of the Exchequer, and the members of Parliament representing London constituencies; and that the Chancellor of the Exchequer be asked to receive a deputation on the subject.

I hereby certify that the foregoing resolutions were passed by the Conference of London Rating Authorities on 15th and 25th May, and 13th July 1914. The members of the London County Council and the representatives of the Metropolitan Asylums Board and of the Metropolitan Water Board who took part in the Conference, did not vote.

LAURENCE GOMME,
Clerk of the London County Council and Secretary to the Conference.

COUNTY HALL,
SPRING GARDENS, S.W.
July 1914.

FORM OF VALUATION LIST REFERRED TO IN CONFERENCE,

SUPPLEMENTAL] VALUATION LIST for the Parish of [in

Note for form of Supplemental List.—The totals of the hereditament affected forward the totals of previous lists, it should be done by means of

Number.	Name of Occupier.	Name of Owner.	Description of Property.	No. of Class.	Name or Situation of Property.	Extent.	Gross Value in former Valuation List.	Rateable Value of Buildings and other Hereditaments not being Agricultural Land in former Valuation List.	Rateable Value of Agricultural Land in former Valuation List.	Gross Value as estimated by Overseers.	Gross Value as estimated by Surveyor of Taxes.
1	2	3	4	5	6	7	7A	7B	7C	8	9
							£	£	£	£	£
							NOTE.—Columns 7A, 7B, 7C are for use in Supplemental Lists only.				
							1,260	1,000	20		

MEMORANDUM.

	Gross.	Rateable.	Assessable.
	£	£	£
Previous totals brought forward ..	650,000	520,800	520,400
Totals of Supplemental Lists ..	1,140	910	915
	651,140	521,710	521,315

RESOLUTION No. A 20 OF THE ASSESSMENT AND VALUATION 1914.

the Union of] in the Administrative County of London.

by this List only are to be inserted. If for convenience it is desired to carry a separate memorandum quite apart from the totals of this list.

Rate of Deduction.	Rateable Value of Buildings and other Hereditaments not being Agricultural Land as estimated by Overseers.	Rateable Value of Agricultural Land as estimated by Overseers.	Gross Value as finally determined by Assessment Committee.	Rate of Deduction per cent.	Rateable Value of Buildings and other Hereditaments not being Agricultural Land as finally determined by Assessment Committee.	Rateable Value of Agricultural Land as finally determined by Assessment Committee.	Remarks, subsequent alterations with number and date of list.
10	11	12	13	14	15	16	17
£	£	£	£	£	£	£	
			650,000		520,000	800	Totals for Quinquennial Valuation List.
			Total Rateable Value ..			520,800	
			Total Assessable Value ..			520,400	
			2,400		1,920	10	Totals for Supplemental Valuation List.
Deduct values in former list			1,260		1,000	20	
			1,140		920	(—) 10	
			Total Rateable Value ..			910	
			Total Assessable Value ..			915	

STATUTORY RULES AND ORDERS, 1910.

No. 1339
L. 37.

LAND VALUES DUTIES.
Generally.

THE LAND VALUES (REFERENCE) RULES, 1910, DATED 5TH DECEMBER 1910, MADE BY THE REFERENCE COMMITTEE FOR ENGLAND UNDER SECTION 33 OF THE FINANCE (1909-10) ACT 1910 (10 EDW. 7, C. 8).

In pursuance of section 33 of the Finance (1909-10) Act 1910, the Reference Committee for England constituted under that section hereby make the following Rules:—

Short Title.

1. These rules may be cited as the Land Values (Referee) Rules, 1910.

Interpretation.

2.—(1) In these rules, unless the context otherwise requires,—
"The Act" means the Finance (1909-10) Act 1910.
"The Commissioner" means the Commissioners of Inland Revenue.

(2) The Interpretation Act 1889 applies for the purpose of the interpretation of these rules as it applies for the purpose of the interpretation of an Act of Parliament.

Notice of Appeal.

3.—(1) An appeal to a referee under the Act may be made by sending to the Reference Committee and to the Commissioners, within the time prescribed by these rules, a written notice of appeal showing the matter to which the appeal relates and giving particulars of the grounds of the appeal.

(2) The notice of appeal shall be in the form set out in the Schedule to these rules, or in a form to the like effect.

(3) The Commissioners shall cause printed forms of notice of appeal to be furnished gratis to any person who desires to appeal and applies for a form either to them or to a district valuer, or to any other person authorised by the Commissioners to furnish the forms.

(4) Notice of withdrawal of appeal may be in the form set out in the Schedule hereto.

Time for Notice of Appeal.

4. The following provisions shall have effect as respects the time of giving notice of appeal:—

(1) In the case of an appeal against total value or site value on a provisional valuation—

(*a*) A notice of appeal shall not be treated as an effective notice of appeal if given sooner than thirty days after notice of objection to the provisional valuation has been given by the appellant;

(*b*) After the expiration of that time notice of appeal may be given at any time unless notice is given by the Commissioners to the objector that they do not propose to amend their provisional valuation, or do not propose to make any further amendment in their provisional valuation to meet his objection, and in that case notice of appeal must be given within thirty days after notice is so given by the Commissioners.

(2) In the case of an appeal against any assessment of duty, or against any refusal of the Commissioners to make any allowance or to make the allowance claimed, or against any apportionment, or against the determination of any other matter by the Commissioners, notice of appeal must be given within thirty days after the Commissioners have given notice to the appellant of their assessment, refusal, apportionment, or determination, as the case may be.

Extension of Time for giving Notice by Appellant.

5.—(1) The Reference Committee may, on the application of any person desiring to appeal, extend the time for appeal prescribed by the foregoing rule, as they, in their absolute discretion, think fit, and may so extend the time although the application is not made until after the expiration of the time prescribed.

(2) Any application for an extension of the time for appeal must be made in writing to the Reference Committee, and must state the grounds of the application, and a copy of the application must be sent to the Commissioners by the applicant.

(3) The Reference Committee shall give the Commissioners reasonable opportunity for laying before them in writing any objections which the Commissioners may have to any such application for an extension of time, and shall consider any such objections.

Selection of Referee.

6. The referee to whom an appeal is to be referred shall be selected by the Reference Committee, and the Reference Committee shall, as soon as they have selected the referee, inform the Commis-

sioners and the appellant of the name and the address of the referee selected.

Consideration of Appeal by Referee.

7.—(1) The referee selected shall, as soon as may be, proceed with the determination of the appeal, and arrange with the Commissioners and the appellant the time and place for consultation with the Commissioners and the appellant with respect thereto.

(2) The Reference Committee shall furnish the referee with a copy of the notice of appeal, and the Commissioners and the appellant shall furnish to the referee on his request any document or other information which it is in their or his power to furnish, and which the referee may require for the purpose of the determination of the appeal.

(3) Subject to the provisions of the Act and of these rules, the proceedings on the consideration of an appeal shall be such as the referee, subject to any special directions of the Reference Committee, may in his discretion direct.

(4) In this Rule any reference to the Commissioners or to the appellant includes a reference to any person nominated by the Commissioners or the appellant respectively under subsection (3) of section 33 of the Act.

Appellant Limited to Grounds of Appeal.

8. The appellant shall not, on the consideration of his appeal, be allowed to rely upon any grounds of appeal not specifically set out in his notice of appeal, but the referee may, if he thinks it just under the circumstances, allow the notice of appeal to be amended at any time.

Decision of Referee.

9. The decision of the referee shall be in the form contained in the Schedule to these rules, or in a form to the like effect, and the referee shall cause copies of his decision to be furnished to the Reference Committee, the Commissioners, and the appellant.

9A. In the event of any question of law being raised by any party to an appeal the referee may, if he thinks fit, state his award in the form of a special case for the opinion of the Court.

Power to Select Another Referee.

10. The Reference Committee may, in the case of the death or incapacity of the referee originally selected, or if it is shown to the Committee that it is expedient so to do, in any other case, at any time before the decision of an appeal by a referee, revoke the reference of the appeal to the selected referee, and select another referee for the purpose of determining the appeal.

Appearance of Third Parties.

11.—(1) On the consideration of any appeal, the referee shall, on the application of any person who appears to the referee to be interested in the land in respect of which the appeal is made, or to be otherwise interested in the matter of the appeal, give him an opportunity of putting his case before the referee in writing, and, if necessary, of taking part in any consultation with reference to the appeal.

(2) The Commissioners, when they receive notice of any appeal against total or site value on a provisional valuation, shall give notice of the appeal to any person from whom a return has been required for the purpose of the valuation, and to any person who has applied to the Commissioners for a copy of the provisional valuation of the land under subsection (5) of section 27 of the Act.

Alteration of Valuations, etc., by Commissioners.

12. The Commissioners shall, as soon as may be on receiving notice of the decision of the referee on any appeal, make such alterations in the particulars of any valuations, apportionments, reapportionments, assessments, or other documents as may be necessary to carry out the decision of the referee.

Provision as to Sending of Notices.

13. Any notice or other document required or authorised to be sent to any person for the purpose of these rules shall be deemed to be duly sent if sent by post addressed to that person at his ordinary address, and the address of the Reference Committee shall for this purpose be—J. Johnston, Esq., Secretary to the Reference Committee, Room 174, Royal Courts of Justice, Strand, W.C.

Informalities not Necessarily to Invalidate Proceedings.

14. Any failure on the part of any authority or any person to comply with the provisions of these rules shall not render the proceedings on a reference to a referee, or anything done in pursuance thereof, invalid, unless the referee so direct.

Schedule.

I. Forms of Notice of Appeal.

A.

FINANCE [illegible] ACT [illegible], SECTION [illegible].

Notice of Appeal to Referee against Total or Site Value on a Provisional Valuation.

To the Reference Committee
(Or, to the Commissioners of Inland Revenue.)

I hereby give notice that I intend to appeal against* the total value and site value fixed on the annexed provisional valuation, on the ground that the items numbered [illegible] to the annexed provisional valuation are [illegible] the items numbered [illegible] in the annexed provisional valuation are [illegible].

*Signature

Address

Dated

* [illegible]

† [illegible]

PROVISIONAL VALUATION.

County | Parish | No. of Hereditament

1. Gross Value.	

Deductions from Gross Value.

(a) To arrive at Full Site Value.		(b) To arrive at Total Value.	
2 Difference between Gross Value and Value of the Fee Simple of the Land divested of Buildings, Trees, etc.		3 Fee Farm Rent, Rent Seek, Quit Rent, Chief Rent, or Rent of Assize	
		4 Other Perpetual Rent or Annuity	
		5 Tithe or Tithe Rent Charge	
		6 Burden or charge arising by operation of Law or imposed by Act of Parliament	
		7 Copyhold Cost of Enfranchisement	
		8 Public Rights of Way or User	
		9 Rights of Common	
		10 Easements	
		11 Restrictions under Covenant or Agreement	
Total Deductions		Total Deductions	
Full Site Value		Total Value	

DEDUCTIONS FROM TOTAL VALUE TO ARRIVE AT ASSESSABLE SITE VALUE.

12. Deductions from Gross Value to arrive at Full Site Value (as above)	
13. Works executed	
14. Capital expenditure	
15. Appropriation of Land for streets, roads, open spaces, etc.	
16. Redemption of Land Tax or Fixed Charge	
17. Enfranchisement of Copyholds	
18. Release of Restrictive Covenants	
19. Goodwill or personal elements	
20. Cost of clearing Site	
Total Deductions	
ASSESSABLE SITE VALUE	

Special Form for Minerals treated as a separate parcel of land.

1. TOTAL VALUE.	
Less—	
2. Deductions on account of works executed or expenditure of a capital nature incurred	
CAPITAL VALUE	

B.

FINANCE (1909-10) ACT 1910.

NOTICE OF APPEAL TO REFEREE IN RESPECT OF ANY MATTER OTHER THAN TOTAL OR SITE VALUE ON A PROVISIONAL VALUATION.

County Parish No. of hereditament.

To the Reference Committee.

[*Or*, To the Commissioners of Inland Revenue.]

I hereby give notice of my intention to appeal against*

The particulars of my grounds of appeal are as follows—

†Signed _____

Address _____

Dated

* Here insert the matter appealed against, *e.g.* "The assessment of duty under Part I. of the Finance Act," "The refusal of the Commissioners to make an allowance in respect of," etc., etc., *or* "The determination by the Commissioners in respect of the following matter, namely"—

† If an agent, the name and address of the principal on whose behalf he acts must be stated.

C.

FINANCE (1909–10) ACT 1910.

NOTICE OF WITHDRAWAL OF APPEAL TO REFEREE IN RESPECT OF ANY MATTER.

County Division Number.

To the Reference Committee.

[*Or*, To the Commissioners of Inland Revenue.]

I hereby withdraw my notice of appeal, dated the 19 against*

†Signed _____

Address _____

Dated .

---

* Here insert the matter appealed against, *e.g.* "The assessment of duty under Part I. of the Finance Act," "The refusal of the Commissioners to make an allowance in respect of," etc., etc., *or* "The determination by the Commissioners in respect of the following matter, namely"—

† If an agent, the name and address of the principal on whose behalf he acts must be stated.

II. FORM OF DECISION OF REFEREE.

FINANCE (1909–10) ACT 1910.

DECISION OF REFEREE ON APPEAL.

The decision on the appeal in respect of which the annexed notice of appeal has been given is as follows*:—

Signed _____

Referee.

Dated

---

* If the notice of appeal is in Form A., the decision should be stated by reference to the items complained of in the particulars of the grounds of appeal. Any variations in those items with the consequential alterations of the totals, should be stated.

If the notice of appeal is in Form B., the decision should follow as far as possible the form of the notice of appeal.

Pursuant to the powers contained in section 33 of the Finance (1909–10) Act 1910, we have made the above amended rules and forms in substitution for the rules and forms dated 25th July 1910.

Alverstone, C.J.

Herbert H. Cozens-Hardy, M.R.

Leslie R. Vigers.

5th December 1910.

Approved by the Treasury,

Wedgwood Benn.

Percy H. Illingworth.

STATUTORY RULES AND ORDERS, 1910.

No. 665.

LAND VALUES DUTIES.
Increment Value Duty.

REGULATIONS MADE BY THE COMMISSIONERS OF INLAND REVENUE UNDER SECTION 4 OF THE FINANCE (1909–10) ACT 1910 (10 EDW. 7, C. 8).

Presentation of Instruments.

(1) Having regard to the provisions of the Finance (1909–10) Act 1910, with respect to Increment Value Duty, it is necessary that, on the occasion of any transfer on sale of the fee simple of any land or of any interest in land, in pursuance of any contract made after the commencement of the Act, or on the grant in pursuance of any contract made after the commencement of the Act, the *transferor or lessor* shall present to the Commissioners of Inland Revenue the instrument by means of which the transfer or the lease is effected or agreed to be effected, or reasonable particulars thereof, for the purpose of the assessment of Increment Value Duty thereon. The land in question is only such as is situate within the United Kingdom. (Where a building is used for the purpose of separate tenements, flats, or dwellings, the grant of a lease, or the transfer on sale of any lease, of any such separate tenement, flat, or dwelling, will not be an occasion requiring presentation of the instrument.—Section 11.)

These Regulations do not apply in the case of the grant of a Mining Lease, as to which reference should be made to the special provisions contained in the Act.

(2) Under arrangements made by the Commissioners the instrument, or the required particulars thereof, may be presented at any of the following Stamp Offices :—

London (Somerset House, Wellington Street Entrance, or Telegraph Street, E.C.)
Edinburgh (Waterloo Place).
Dublin (Custom House and Four Courts).
Birmingham. The Office of the Collector of Customs and Excise.
Bolton ,, ,, ,,
Bradford ,, ,, ,,
Brighton ,, ,, ,,
Bristol ,, ,, ,,
Cardiff ,, ,, ,,
Derby ,, ,, ,,

Hull.	The Office of the Collector of Customs and Excise.		
Leeds	,,	,,	,,
Leicester	,,	,,	,,
Liverpool	,,	,,	,,
Manchester	,,	,,	,,
Newcastle-on-Tyne	,,	,,	,,
Nottingham	,,	,,	,,
Portsmouth	,,	,,	,,
Sheffield	,,	,,	,,
Southampton	,,	,,	,,
Sunderland	,,	,,	,,
Swansea	,,	,,	,,
Wakefield	,,	,,	,,
Wolverhampton	,,	,,	,,
York	,,	,,	,,
Glasgow	,,	,,	,,
Belfast	,,	,,	,,
Cork	,,	,,	,,

The forms I.V.D. (A) and I.V.D. (B) referred to in these Regulations may be obtained at any of the above-mentioned offices, at any local Stamp Office, and at or through any Money Order Office authorised to transact Inland Revenue business.

(3) If the instrument itself be presented, the presentation should take place, if possible, after execution *by the transferor or lessor*. The instrument must be accompanied either by a copy, or by an abstract such (but containing the further particulars required) as is presented with an instrument lodged for adjudication under section 12 of the Stamp Act 1891. The abstract should set out fully, for purposes of identification, the description of the property sold or leased, and if the instrument contains or refers to a plan, a copy of such plan should be furnished. A full statement should be made of any easements or reservations affecting the land, of any covenant restricting its use, and of any agreement or obligation to repair, or to pay outgoings. Any covenant or undertaking or liability to discharge any incumbrance, and any covenant or undertaking to erect buildings or to expend any sums upon the property, should be set out in full. If the easement, covenant, etc., is set forth in some other document than the instrument itself, that document should be presented as well. The official form I.V.D. (A) of application for an increment value duty stamp, duly filled up and signed, should also be lodged. The official form of abstract I.V.D. (B) can be used if desired.

(4) The instrument, the abstract, and the form I.V.D. (A), when presented, will be retained by the proper Officer of the Commissioners for examination, a ticket being given, by way of receipt, to the person presenting them.

(5) Assuming that the various documents or papers so presented are found on examination to contain the particulars necessary for

the purpose of enabling the Commissioners to assess the duty, and that, if security as hereafter mentioned (par. 14), has been required, such security has been given, the instrument will be impressed with one of the stamps (*a*), (*b*), (*c*), mentioned in section 4 (3) of the Finance (1909–10) Act 1910, and will be returned on presentation of the ticket after the expiration of the time mentioned therein. These stamps are:—

either (*a*) a stamp denoting that the increment value duty has been assessed by the Commissioners and paid in accordance with the assessment;

or (*b*) a stamp denoting that all particulars have been delivered to the Commissioners which, in their opinion, are necessary for the purpose of enabling them to assess the duty, and that security has been given for the payment of duty in any case where the Commissioners have required security;

or (*c*) a stamp denoting that upon the occasion in question no increment value duty was payable.

(6) Where an instrument is so stamped it will, notwithstanding any objection relating to Increment Value Duty, be deemed to be *duly stamped* so far as respects that duty. But unless so stamped the instrument cannot, except in criminal proceedings, be given in evidence, or be made available for any purpose whatever.

(7) The Act (section 4 (7)) provides that where any agreement for a transfer, or agreement for a lease, is stamped with one of the special stamps provided, it will not be *necessary* to stamp in a similar manner any conveyance, assignment, or lease made subsequently to and in conformity with the agreement. But, if desired, a corresponding stamp will be impressed on the conveyance, assignment, or lease, on presentation of both instruments at the selected Office. Similarly a duplicate of any instrument which has been stamped in accordance with the above section will be impressed with a corresponding stamp on both documents being produced at the Office for the purpose.

If, however, an agreement for a transfer is intended to be followed shortly by an actual conveyance, the Commissioners will not require the agreement, or particulars thereof, to be presented under these Regulations, but will accept the presentation in due course of the actual conveyance, or particulars thereof, as a compliance with the provisions of the Act. But an agreement for a lease, or particulars thereof, should be presented without waiting for the actual lease.

(8) **The fact that an instrument has been presented under these regulations, and stamped with the appropriate stamp as regards Increment Value Duty, will not in any way affect the liability of the instrument to the ordinary Stamp Duty imposed by the Stamp Act 1891, or any amending Act. It will be necessary therefore that the instrument, if not drawn on material duly stamped,**

be presented within thirty days of execution, to be impressed with the proper ordinary Stamp Duty. (Stamp Act 1891, section 15.) Should, however, the transferor or lessor desire to have this duty impressed at the same time as the stamp for Increment Value Duty, so as to avoid the necessity for a second presentation of the instrument, he should pay the amount of the duty when presenting the instrument, abstract, etc., at the Stamp Office selected.

(9) In the case of instruments lodged at the Head Office in London, Edinburgh, or Dublin, for adjudication under Section 12 of the Stamp Act 1891, the application for an Increment Value Duty Stamp may be made at the same time, the application form I.V.D. (A) being accompanied by a separate copy or abstract of the instrument, any abstract to contain a full statement as regards easements, covenants, etc. The Increment Value Duty Stamp will then be impressed when the instrument is stamped with the adjudication stamp.

(10) Notwithstanding the exemptions from Increment Value Duty contained in section 7 (Agricultural land), section 8 (Small houses and properties in owner's occupation), and section 35 (Land held by Rating Authorities), it will be necessary to present to the Commissioners any conveyance on sale, or lease for a term exceeding fourteen years, of land of the description mentioned in those sections, as the instrument will not be duly stamped unless it bears one of the special Increment Value Duty stamps mentioned in paragraph 5.

Presentation of Particulars.

(11) If the instrument itself be not presented by the transferor or lessor for the purpose of the assessment of Increment Value Duty thereon, *reasonable particulars thereof*, in the form of the various documents mentioned in paragraph 3, must be furnished by him. Such particulars can be lodged at any of the Offices mentioned in paragraph 2, and a receipt will be given therefor. The transferor or lessor should at the same time lodge the Form I.V.D. (A) duly filled up.

(12) The presentation of such particulars, in lieu of the instrument itself, will free the transferor or lessor from liability to the fine imposed by section 4 (2) of the Finance (1909–10) Act 1910. But the instrument will not be "duly stamped" until it bears, in addition to the ordinary Stamp Duty to which it is liable, one of the special stamps relating to Increment Value Duty mentioned in paragraph 5. Provided, however, the necessary particulars, as above, have been furnished by the transferor or lessor, the appropriate stamp will be impressed at any future date, if the instrument and the receipt for the particulars are lodged for the requisite length of time at the *Head Office* for England, Scotland, or Ireland, as the case may be.

Presentation at other Offices.

(13) Where it is not possible or convenient to present the instrument or the required particulars at one of the stamp offices mentioned in paragraph 2, it will be open to the transferor or lessor to lodge the various documents (including Form A) at the local Stamp Office, or at any Money Order Office authorised to transact Inland Revenue business, with a request that they may be forwarded to the Head Office, in the same way as documents requiring to be stamped with the ordinary Stamp Duties may now be lodged. In such cases the examination of the documents will be made at the Head Office only, where any Increment Value Duty will be assessed, and in due course the conveyance or lease or agreement, stamped as regards such duty, will be returned to the Stamp or Post Office for delivery to the transferor or lessor on his personal application for it.

Payment of Increment Value Duty.

(14) If on the presentation of an instrument or of particulars thereof, the Commissioners have reason to consider that the occasion is one on which a claim to Increment Value Duty has arisen, they may require security for the payment of duty, and in such a case the stamp referred to in paragraph 5 will not be impressed until the required security has been given.

(15) On an assessment of Increment Value Duty being made by the Commissioners, notice of such assessment will be given in writing to the transferor or lessor at the address furnished by him on Form I.V.D. (A), and payment will be required in accordance with the terms of such notice.

(16) In the case of any lease or transfer on sale where the consideration is in the form of a periodical payment, the Commissioners may, if they think fit, allow payment of the Increment Value Duty assessed to be made by instalments in accordance with the following regulations:—

(I.) Where the consideration consists wholly of a periodical payment,

The duty shall be payable by five equal annual instalments, and the first instalment shall fall due one year after the date of the grant of the lease or the transfer of the interest, and the subsequent instalments on the same date in each successive year.

(II.) Where the consideration consists partly of a lump sum payment and partly of a periodical payment,

(*a*) There shall become due and payable at the date of the transfer or grant of the lease an amount bearing to the whole duty to be collected the same proportion as the lump sum bears to the total present value

of the consideration calculated on the 4 per cent. tables.

(*b*) The balance shall be payable by instalments of the same amounts and at the same times as if the periodical payment constituted the whole of the consideration, and the balance were the whole of the increment value duty to be collected.

(III.) In any case in which the person liable to the payment of any increment Value Duty may and does elect to pay such duty by instalments, he shall furnish security to the satisfaction of the Commissioners for the payment of the whole amount of the duty payable.

(IV.) If any person, on being required by the Commissioners to furnish such security, fails to do so within two months, he shall forfeit his right to pay the duty by instalments, and the whole of the duty shall be deemed to be due on the expiration of two months from the date on which notice was given by the Commissioners of their requirement.

(V.) If any instalment remains unpaid for a period of thirty days after it falls due, or if the person liable to the payment dies or becomes bankrupt, the whole balance of the duty unpaid shall forthwith become due and payable.

(VI.) For the purposes of these rules the term "interest in land" shall be deemed to include the "fee simple of the land."

(VII.) Where the duty due on the grant of a lease is payable by instalments, and the lease is determined before all such instalments have fallen due, the instalments which have not fallen due will be remitted, and in that case the amount of duty which, under section 4 of the Finance (1909–10) Act 1910, is deemed to have been paid, will be reduced by the amount of the instalments so remitted.

(17) In any case where Increment Duty shall have been paid under the provisions of Section 4 of the Finance (1909–10) Act 1910, but the transaction in respect of which the duty shall have been paid was subsequently not carried into execution, the duty will be returned to the transferor or lessor on his making written application to the Commissioners, the application being supported by a statutory declaration setting forth the circumstances under which the repayment is claimed. The application must be made within two years after the payment of the duty. In any case in which arrangements have been made for payment by instalments, the two years will run from the date on which the last instalment was paid.

Correspondence.

(18) Should occasion arise for correspondence in connection with the presentation of an instrument or the delivery of particulars, the letter should be addressed to the Secretary, Inland Revenue,

Somerset House, London, W.C.; or to the Comptroller of Stamps and Taxes, Edinburgh, or to the Comptroller of Stamps and Income Tax, Dublin, as the case may be, the envelope being marked in the left-hand corner "Increment Value Duty."

Scotland.

(19) In Scotland, paragraphs 1 to 15 of the above Regulations shall not apply to instruments presented for registration in the General Register of Sasines or in any Burgh or other local register, and in lieu thereof the following regulations shall apply:—

(i.) *Where an instrument* is presented for registration in the General Register of Sasines or in the Burgh or other local register, it shall not be necessary for the transferor or lessor or other accountable party to present such instrument to the Commissioners or furnish them with "reasonable particulars" thereof.*

(ii.) Nothing in these Regulations shall affect the liability of the instrument to the ordinary stamp duty imposed by the Stamp Duty Act 1891, or any Amending Act.

(iii.) Where the Commissioners have reason to consider that the occasion is one on which a claim to Increment Value Duty has arisen, they may require security for the payment of the duty.

(iv.) On an assessment of Increment Value Duty being made by the Commissioners, notice of such assessment will be given in writing to the transferor or lessor, and payment will be required in accordance with the terms of such notice.

Ireland.

(20) In view of the special provisions of section 4 (5) of the Finance (1909–10) Act 1910, and of the arrangements and Regulations made thereunder, conveyances on sale of lands *to which the Land Purchase (Ireland) Acts apply* will, on presentation to the Registrar of Titles in the ordinary course, and subject to the provisions contained in paragraph 14 of these Regulations, be impressed with the appropriate stamp denoting that the necessary particulars have been delivered to the Commissioners.

With the above exception, these Regulations will apply in Ireland to all conveyances on sale and leases exceeding fourteen years.

* Observe that (*a*) "Instrument" means any instrument executed on the occasion of a transfer on sale of land or interest in land or the grant of any lease for a term exceeding fourteen years or any feu of land or the creation of any ground annual; and that (*b*) the expression "transferor" includes the person by whom or on whose behalf a feu is granted or a ground annual created (*see* section 42 (3)).

STATUTORY RULES AND ORDERS, 1910.

No. 712.

LAND VALUES DUTIES.

Increment Value Duty.

RULES MADE BY THE COMMISSIONERS OF INLAND REVENUE UNDER SECTION 3, SUBSECTIONS (2) AND (3), OF THE FINANCE (1909–10) ACT 1910 (10 EDW. 7, C. 8).

1. For the purposes of these rules—

(1) The expression "proper proportion" means the ratio of the present value of an annuity for the term of the interest under review to the present value of the same annuity in perpetuity:

(2) The expression "term of the interest" means—

(*a*) where the interest is an interest in possession, a term equal to the residue of the interest for the time being outstanding;

(*b*) where the interest is a reversion expectant on the determination of a lease, a term equal to the term of the reversion deferred for the period of the outstanding term of the lease.

(3) Where the term of an interest is a term dependent on life, the term shall be taken to be a term equal to the mean expectation of life of the person on whose life the interest is dependent or, where the interest is dependent on more than one life, of the youngest of the persons on whose life it is dependent.

For the purpose of ascertaining the mean expectation of life, the mortality tables, based on the Northampton experience, shall be adopted:

(4) The calculations for the purpose of ascertaining the proper proportion shall be based on the 4 per cent. tables for the purchase of leases, estates, or annuities:

(5) The expressions "duty to be collected" and "duty paid" mean the duty which, for the purposes of future calculations, is to be deemed to have been paid:

(6) A lease for a term of which 99 or more years remain unexpired shall be treated as a fee simple, and a reversion expectant on the determination of such a lease shall not be treated as an interest in land:

(7) Where the land is a copyhold of inheritance, or a copyhold held for a life or lives or for years where the tenant has a right of renewal, or a customary freehold, references in these rules to the fee simple of the land shall be treated as references to the whole copyhold or customary interest or estate, and in the case of copyhold land held for a life

or lives or for years, where the tenant has not a right of renewal, these rules shall have effect as if the land were freehold land and the copyhold interest were a leasehold interest.

2.—(1) The amount of increment value duty unsatisfied on the occasion of the transfer on sale or passing on death of the fee simple of any land, or on the occasion of the grant of any fee of any land, or the creation of any ground annual thereon, or on any periodical occasion in the case of the fee simple of any land held by a body corporate or unincorporate, shall be one-fifth of the increment value of the land after deducting from that one-fifth the amount of increment value duty which may have been paid on any previous occasion.

(2) The amount of increment value duty to be collected on any such occasion shall be the whole of the amount of the duty which is unsatisfied.

3.—(1) The amount of increment value duty unsatisfied on the occasion of the grant of a lease or transfer on sale or passing on death of any interest in land, or on any periodical occasion in the case of an interest in land held by a body corporate or unincorporate, shall be one-fifth of the increment value of the land after deducting from that one-fifth one-fifth of the increment value on the last occasion (if any) on which duty was paid in respect of the interest under review.

(2) The duty to be collected on any such occasion shall be the proper proportion at the date of the occasion of the duty unsatisfied: Provided that—

(*a*) where duty has been paid on the creation of an inferior interest created out of the interest under review, and duty has not subsequently been paid in respect of that interest, and the proper proportion on the occasion under review exceeds the proportion immediately after the creation of the inferior interest, the duty to be collected shall be reduced by a proportion—equal to such excess—of the increment value duty determined to have been unsatisfied on the creation of the inferior interest;

(*b*) where the amount of duty to be collected on any occasion in accordance with this rule is such that if paid the total amount of duty paid in respect of any interest (including all interests created thereout whether still subsisting or not) would exceed the duty which would have been payable on the creation of the interest had the site value of the land on that occasion been the highest site value revealed on any occasion since the creation of the interest, the amount to be collected shall be reduced by the amount of such excess, and for the purpose of this proviso any interest or interests which existed on the thirtieth day of April nineteen hundred and nine shall be deemed to have been created, or to have been successively created, immediately after that date;

(*c*) where the amount of duty to be collected in accordance with this rule on any occasion when the interest under review is a freehold reversion is such that, if paid, the total amount of duty paid in respect of all interests, whether still subsisting or not, would exceed the duty which would have been payable had the fee simple of the land been transferred on sale at the time when the site value of the land was the highest site value revealed on any occasion since the thirtieth day of April nineteen hundred and nine, the amount to be collected shall be reduced by the amount of such excess.

(3) Any duty paid on the creation of an interest shall, for the purpose of this rule, be deemed to have been paid in respect of the interest so created, and not in respect of the interest out of which it was created.

COMPOUND INTEREST TABLES.

THE AMOUNT OF £1
AND
THE AMOUNT OF £1 PER ANNUM.

FORMULÆ

For the formation of all the more useful Valuation Tables from Interest Tables.

1. Table given. Amount of £1.

2. $\frac{1}{\text{Amount of £1}}$ = Present value of £1.

3. Table given. Amount of £1 per annum.

4. $\frac{\text{Amount of £1 per annum}}{\text{Amount of £1}}$ = Present value of £1 per annum (years' purchase).

5. Present value of a perpetuity = $\frac{100}{\text{Rate}}$ (years' purchase).

6. Present value of a reversion to a perpetuity of £1 per annum (years' purchase) = Years' purchase for perpetuity – Year's purchase for deferred term.

7. Capital value of £1 payable periodically in perpetuity. = $\frac{1}{\text{Amount of £1 for given period} - 1}$.

8. Sinking Fund Table = $\frac{1}{\text{Amount of £1 per annum.}}$

9. Reversion to a term of years (years' purchase for) = Years' purchase for the full term – Years purchase for the deferred term.

10. Present value of £1 per annum. Interest on reinvestment calculated at lower rates than that on investment = $\frac{1}{\text{Interest required on investment} + \text{Annual contribution to Sinking Fund.}}$

For worked examples of application, see Chap. IV. §§ 63–75.

COMPOUND INTEREST TABLES.

AMOUNT OF £1.

Years.	2½%.	3%.	3½%.	4%.	4½%.	5%.
1	1·025	1·030	1·035	1·040	1·045	1·050
2	1·051	1·061	1·071	1·082	1·092	1·102
3	1·077	1·093	1·109	1·125	1·141	1·158
4	1·104	1·125	1·147	1·170	1·192	1·215
5	1·131	1·159	1·188	1·217	1·246	1·276
6	1·160	1·194	1·229	1·265	1·302	1·340
7	1·189	1·230	1·272	1·316	1·361	1·407
8	1·218	1·267	1·317	1·368	1·422	1·477
9	1·249	1·305	1·363	1·423	1·486	1·551
10	1·280	1·344	1·411	1·480	1·553	1·629
11	1·312	1·384	1·460	1·539	1·623	1·710
12	1·345	1·426	1·511	1·601	1·696	1·796
13	1·378	1·468	1·564	1·665	1·772	1·886
14	1·413	1·512	1·619	1·732	1·852	1·980
15	1·448	1·558	1·675	1·801	1·935	2·079
16	1·484	1·605	1·734	1·873	2·022	2·183
17	1·522	1·653	1·795	1·948	2·113	2·292
18	1·560	1·702	1·857	2·026	2·208	2·407
19	1·599	1·753	1·922	2·107	2·308	2·527
20	1·639	1·806	1·990	2·191	2·412	2·653
21	1·679	1·860	2·059	2·279	2·520	2·786
22	1·721	1·916	2·131	2·370	2·634	2·925
23	1·765	1·973	2·206	2·465	2·752	3·071
24	1·809	2·033	2·283	2·563	2·876	3·225
25	1·854	2·094	2·363	2·666	3·005	3·386
26	1·900	2·156	2·446	2·772	3·141	3·556
27	1·948	2·221	2·531	2·883	3·282	3·733
28	1·996	2·288	2·620	2·999	3·430	3·920
29	2·046	2·356	2·712	3·119	3·584	4·116
30	2·097	2·427	2·807	3·243	3·745	4·322
31	2·150	2·500	2·905	3·373	3·914	4·538
32	2·204	2·575	3·007	3·508	4·090	4·765
33	2·259	2·652	3·112	3·648	4·274	5·003
34	2·315	2·732	3·221	3·794	4·466	5·253
35	2·373	2·814	3·333	3·946	4·667	5·516
36	2·432	2·898	3·450	4·104	4·877	5·792
37	2·493	2·985	3·571	4·268	5·097	6·081
38	2·556	3·075	3·696	4·439	5·326	6·385
39	2·619	3·167	3·825	4·616	5·566	6·705
40	2·685	3·262	3·959	4·801	5·816	7·040
41	2·752	3·360	4·098	4·993	6·078	7·392
42	2·821	3·461	4·241	5·193	6·352	7·761
43	2·891	3·564	4·390	5·400	6·637	8·150
44	2·964	3·671	4·543	5·616	6·936	8·557
45	3·038	3·782	4·702	5·841	7·248	8·985
46	3·114	3·895	4·867	6·075	7·574	9·434
47	3·192	4·012	5·037	6·318	7·915	9·906
48	3·271	4·132	5·213	6·570	8·271	10·401
49	3·353	4·256	5·396	6·833	8·644	10·921
50	3·437	4·384	5·585	7·107	9·033	11·467

Appendix B.

COMPOUND INTEREST TABLES.

Amount of £1.

Years.	6%.	7%.	8%.	9%.	10%.
1	1·060	1·070	1·080	1·090	1·100
2	1·124	1·145	1·166	1·188	1·210
3	1·191	1·225	1·260	1·295	1·331
4	1·262	1·311	1·360	1·411	1·464
5	1·338	1·402	1·469	1·539	1·610
6	1·418	1·501	1·587	1·677	1·771
7	1·504	1·606	1·714	1·828	1·949
8	1·594	1·718	1·851	1·992	2·144
9	1·689	1·838	1·999	2·172	2·358
10	1·791	1·967	2·159	2·367	2·594
11	1·898	2·105	2·332	2·580	2·853
12	2·012	2·252	2·518	2·813	3·138
13	2·133	2·410	2·720	3·066	3·452
14	2·261	2·578	2·937	3·342	3·797
15	2·396	2·759	3·172	3·642	4·177
16	2·540	2·952	3·426	3·970	4·595
17	2·693	3·159	3·700	4·328	5·054
18	2·854	3·380	3·996	4·717	5·560
19	3·026	3·616	4·316	5·142	6·116
20	3·207	3·870	4·661	5·604	6·727
21	3·399	4·140	5·034	6·109	7·400
22	3·603	4·430	5·436	6·659	8·140
23	3·820	4·740	5·871	7·258	8·954
24	4·049	5·072	6·341	7·911	9·850
25	4·292	5·427	6·848	8·623	10·835
26	4·549	5·807	7·396	9·399	11·918
27	4·822	6·214	7·988	10·245	13·110
28	5·112	6·649	8·627	11·167	14·421
29	5·418	7·114	9·317	12·172	15·863
30	5·743	7·612	10·063	13·268	17·449
31	6·088	8·145	10·868	14·462	19·194
32	6·453	8·715	11·737	15·763	21·114
33	6·840	9·325	12·676	17·182	23·225
34	7·251	9·978	13·690	18·728	25·548
35	7·686	10·676	14·785	20·414	28·102
36	8·147	11·424	15·968	22·251	30·913
37	8·636	12·224	17·246	24·254	34·004
38	9·154	13·079	18·625	26·437	37·404
39	9·703	13·995	20·115	28·816	41·145
40	10·286	14·974	21·725	31·409	45·259
41	10·903	16·023	23·462	34·236	49·785
42	11·557	17·144	25·339	37·317	54·764
43	12·250	18·344	27·367	40·676	60·240
44	12·985	19·628	29·556	44·337	66·264
45	13·765	21·002	31·920	48·327	72·890
46	14·590	22·473	34·474	52·677	80·179
47	15·466	24·046	37·232	57·418	88·197
48	16·394	25·729	40·210	62·585	97·017
49	17·377	27·530	43·427	68·218	106·719
50	18·420	29·457	46·902	74·357	117·391

COMPOUND INTEREST TABLES.

AMOUNT OF £1.

Years.	2½%.	3%.	3½%.	4%.	4½%.	5%.
51	3·523	4·515	5·780	7·391	9·439	12·041
52	3·611	4·651	5·983	7·686	9·864	12·643
53	3·701	4·790	6·192	7·994	10·308	13·275
54	3·794	4·934	6·409	8·314	10·771	13·939
55	3·888	5·082	6·633	8·646	11·256	14·636
56	3·986	5·235	6·865	8·992	11·763	15·367
57	4·086	5·392	7·105	9·352	12·292	16·136
58	4·188	5·553	7·354	9·726	12·845	16·942
59	4·292	5·720	7·612	10·115	13·423	17·790
60	4·400	5·892	7·878	10·520	14·027	18·679
61	4·510	6·068	8·154	10·940	14·659	19·613
62	4·622	6·250	8·439	11·378	15·318	20·594
63	4·738	6·438	8·734	11·833	16·008	21·623
64	4·856	6·631	9·040	12·306	16·728	22·705
65	4·978	6·830	9·357	12·799	17·481	23·840
66	5·102	7·035	9·684	13·311	18·267	25·032
67	5·230	7·246	10·023	13·843	19·089	26·283
68	5·361	7·463	10·374	14·397	19·948	27·598
69	5·495	7·687	10·737	14·973	20·846	28·977
70	5·632	7·918	11·113	15·572	21·784	30·426
71	5·773	8·155	11·502	16·194	22·764	31·948
72	5·917	8·400	11·904	16·842	23·789	33·545
73	6·065	8·652	12·321	17·516	24·859	35·222
74	6·217	8·911	12·752	18·216	25·978	36·983
75	6·372	9·179	13·198	18·945	27·147	38·833
76	6·531	9·454	13·660	19·703	28·369	40·774
77	6·695	9·738	14·139	20·491	29·645	42·813
78	6·862	10·030	14·633	21·311	30·979	44·954
79	7·034	10·331	15·146	22·163	32·373	47·201
80	7·209	10·641	15·676	23·050	33·830	49·561
81	7·390	10·960	16·224	23·972	35·352	52·039
82	7·574	11·289	16·792	24·931	36·943	54·641
83	7·764	11·627	17·380	25·928	38·606	57·373
84	7·958	11·976	17·988	26·965	40·343	60·242
85	8·157	12·336	18·618	28·044	42·158	63·254
86	8·361	12·706	19·269	29·165	44·055	66·417
87	8·570	13·087	19·944	30·332	46·038	69·738
88	8·784	13·479	20·642	31·545	48·110	73·225
89	9·004	13·884	21·364	32·807	50·275	76·886
90	9·229	14·300	22·112	34·119	52·537	80·730
91	9·459	14·729	22·886	35·484	54·901	84·767
92	9·696	15·171	23·687	36·903	57·372	89·005
93	9·938	15·626	24·516	38·380	59·954	93·455
94	10·187	16·095	25·374	39·915	62·651	98·128
95	10·442	16·578	26·262	41·511	65·471	103·035
96	10·703	17·075	27·181	43·172	68·417	108·186
97	10·970	17·588	28·133	44·899	71·496	113·596
98	11·244	18·115	29·117	46·695	74·713	119·275
99	11·525	18·659	30·137	48·562	78·075	125·239
100	11·814	19·219	31·191	50·505	81·588	131·501

Appendix B.

COMPOUND INTEREST TABLES.

AMOUNT OF £1.

Years.	6%.	7%.	8%.	9%.	10%.
51	19·525	31·519	50·654	81·050	129·130
52	20·697	33·725	54·706	88·344	142·043
53	21·939	36·086	59·082	96·295	156·247
54	23·255	38·612	63·809	104·962	171·872
55	24·650	41·315	68·914	114·408	189·059
56	26·129	44·207	74·427	124·705	207·965
57	27·697	47·301	80·381	135·928	228·761
58	29·359	50·613	86·812	148·162	251·638
59	31·120	54·155	93·756	161·497	276·801
60	32·988	57·946	101·257	176·031	304·482
61	34·967	62·003	109·358	191·874	334·930
62	37·065	66·343	118·106	209·143	368·423
63	39·289	70·987	127·555	227·966	405·265
64	41·646	75·956	137·759	248·482	445·791
65	44·145	81·273	148·780	270·846	490·371
66	46·794	86·962	160·682	295·222	539·408
67	49·601	93·049	173·537	321·792	593·348
68	52·577	99·563	187·420	350·753	652·683
69	55·732	106·532	202·413	382·321	717·952
70	59·076	113·989	218·606	416·730	789·747
71	62·620	121·969	236·095	454·236	868·722
72	66·378	130·506	254·982	495·117	955·594
73	70·360	139·642	275·381	539·677	1051·153
74	74·582	149·417	297·412	588·248	1156·268
75	79·057	159·876	321·204	641·191	1271·895
76	83·800	171·067	346·901	698·898	1399·085
77	88·828	183·042	374·653	761·799	1538·993
78	94·158	195·855	404·625	830·361	1692·893
79	99·807	209·565	436·995	905·093	1862·182
80	105·796	224·234	471·955	986·552	2048·400
81	112·144	239·931	509·711	1075·341	2253·240
82	118·872	256·726	550·488	1172·122	2478·564
83	126·005	274·697	594·527	1277·613	2726·421
84	133·565	293·925	642·089	1392·598	2999·063
85	141·579	314·500	693·456	1517·932	3298·969
86	150·074	336·515	748·933	1654·546	3628·866
87	159·078	360·071	808·848	1803·455	3991·752
88	168·723	385·276	873·555	1965·766	4390·928
89	178·740	412·246	943·440	2142·685	4830·020
90	189·464	441·103	1018·915	2335·526	5313·023
91	200·832	471·980	1100·428	2545·724	5844·325
92	212·882	505·019	1188·462	2774·839	6428·757
93	225·655	540·370	1283·540	3024·575	7071·633
94	239·194	578·196	1386·223	3296·786	7778·796
95	253·546	618·670	1497·120	3593·497	8556·676
96	268·759	661·976	1616·890	3916·912	9412·344
97	284·884	708·315	1746·241	4269·434	10353·578
98	301·978	757·897	1885·941	4653·683	11388·936
99	320·096	810·950	2036·816	5072·514	12527·829
100	339·302	867·716	2199·761	5529·041	13780·612

COMPOUND INTEREST TABLES.

THE AMOUNT OF £1 PER ANNUM.

Years.	2½%.	3%.	3½%.	4%.	4½%.	5%.
1	1·000	1·000	1·000	1·000	1·000	1·000
2	2·025	2·030	2·035	2·040	2·045	2·050
3	3·076	3·091	3·106	3·122	3·137	3·153
4	4·152	4·184	4·215	4·246	4·278	4·310
5	5·256	5·309	5·362	5·416	5·471	5·526
6	6·388	6·468	6·550	6·633	6·717	6·802
7	7·547	7·662	7·779	7·898	8·019	8·142
8	8·736	8·892	9·052	9·214	9·380	9·549
9	9·954	10·159	10·369	10·583	10·802	11·027
10	11·203	11·464	11·731	12·006	12·288	12·578
11	12·483	12·808	13·142	13·486	13·841	14·207
12	13·795	14·192	14·602	15·026	15·464	15·917
13	15·140	15·618	16·113	16·627	17·160	17·713
14	16·519	17·086	17·677	18·292	18·932	19·599
15	17·932	18·599	19·296	20·024	20·784	21·579
16	19·380	20·157	20·971	21·825	22·719	23·657
17	20·865	21·762	22·705	23·698	24·742	25·840
18	22·386	23·414	24·500	25·645	26·855	28·132
19	23·946	25·117	26·357	27·671	29·064	30·539
20	25·545	26·870	28·280	29·778	31·371	33·066
21	27·183	28·676	30·269	31·969	33·783	35·719
22	28·863	30·537	32·329	34·248	36·303	38·505
23	30·584	32·453	34·460	36·618	38·937	41·430
24	32·349	34·426	36·667	39·083	41·689	44·502
25	34·158	36·459	38·950	41·646	44·565	47·727
26	36·012	38·553	41·313	44·312	47·571	51·113
27	37·912	40·710	43·759	47·084	50·711	54·669
28	39·860	42·931	46·291	49·968	53·993	58·403
29	41·856	45·219	48·911	52·966	57·423	62·323
30	43·903	47·575	51·623	56·085	61·007	66·439
31	46·000	50·003	54·429	59·328	64·752	70·761
32	48·150	52·503	57·335	62·701	68·666	75·299
33	50·354	55·078	60·341	66·210	72·756	80·064
34	52·613	57·730	63·453	69·858	77·030	85·067
35	54·928	60·462	66·674	73·652	81·497	90·320
36	57·301	63·276	70·008	77·598	86·164	95·836
37	59·734	66·174	73·458	81·702	91·041	101·628
38	62·227	69·159	77·029	85·970	96·138	107·710
39	64·783	72·234	80·725	90·409	101·464	114·095
40	67·402	75·401	84·550	95·026	107·030	120·800
41	70·088	78·663	88·510	99·827	112·847	127·840
42	72·840	82·023	92·607	104·820	118·925	135·232
43	75·661	85·484	96·849	110·012	125·276	142·993
44	78·552	89·048	101·238	115·413	131·914	151·143
45	81·516	92·720	105·782	121·029	138·850	159·700
46	84·554	96·501	110·484	126·871	146·098	168·685
47	87·668	100·396	115·351	132·945	153·673	178·119
48	90·859	104·408	120·388	139·263	161·588	188·025
49	94·131	108·541	125·602	145·834	169·859	198·427
50	97·484	112·797	130·998	152·667	178·503	209·348

Appendix B.

COMPOUND INTEREST TABLES.

The Amount of £1 per Annum.

Years.	6%.	7%.	8%.	9%.	10%.
1	1·000	1·000	1·000	1·000	1·000
2	2·060	2·070	2·080	2·090	2·100
3	3·184	3·215	3·246	3·278	3·310
4	4·375	4·440	4·506	4·573	4·641
5	5·637	5·751	5·867	5·985	6·105
6	6·975	7·153	7·336	7·523	7·716
7	8·394	8·654	8·923	9·200	9·487
8	9·897	10·260	10·637	11·028	11·436
9	11·491	11·978	12·488	13·021	13·579
10	13·181	13·816	14·487	15·193	15·937
11	14·972	15·784	16·645	17·560	18·531
12	16·870	17·888	18·977	20·141	21·384
13	18·882	20·141	21·495	22·953	24·523
14	21·015	22·550	24·215	26·019	27·975
15	23·276	25·129	27·152	29·361	31·772
16	25·673	27·888	30·324	33·003	35·950
17	28·213	30·840	33·750	36·974	40·545
18	30·906	33·999	37·450	41·301	45·599
19	33·760	37·379	41·446	46·018	51·159
20	36·786	40·995	45·762	51·160	57·275
21	39·993	44·865	50·423	56·765	64·003
22	43·392	49·006	55·457	62·873	71·403
23	46·996	53·436	60·893	69·539	79·543
24	50·816	58·177	66·765	76·790	88·497
25	54·865	63·249	73·106	84·701	98·347
26	59·156	68·676	79·954	93·324	109·182
27	63·706	74·484	87·351	102·723	121·100
28	68·528	80·698	95·339	112·968	134·210
29	73·640	87·347	103·966	124·135	148·631
30	79·058	94·461	113·283	136·308	164·494
31	84·802	102·073	123·346	149·575	181·943
32	90·890	110·218	134·214	164·037	201·138
33	97·343	118·933	145·951	179·800	222·252
34	104·184	128·259	158·627	196·982	245·477
35	111·435	138·237	172·317	215·711	271·024
36	119·121	148·913	187·102	236·125	299·127
37	127·268	160·337	203·070	258·376	330·039
38	135·904	172·561	220·316	282·630	364·043
39	145·058	185·640	238·941	309·066	401·448
40	154·762	199·635	259·057	337·882	442·593
41	165·048	214·610	280·781	369·292	487·852
42	175·951	230·632	304·244	403·528	537·637
43	187·508	247·777	329·583	440·846	592·401
44	199·758	266·121	356·950	481·522	652·641
45	212·744	285·749	386·506	525·859	718·905
46	226·508	306·752	418·426	574·186	791·795
47	241·099	329·224	452·900	626·863	871·975
48	256·565	353·270	490·132	684·280	960·172
49	272·958	378·999	530·343	746·866	1057·190
50	290·336	406·529	573·770	815 084	1163·909

COMPOUND INTEREST TABLES.

THE AMOUNT OF £1 PER ANNUM.

Years.	2½%.	3%.	3½%.	4%.	4½%.	5%.
51	100·921	117·181	136·583	159·774	187·536	220·815
52	104·444	121·696	142·363	167·165	196·975	232·856
53	108·056	126·347	148·346	174·851	206·839	245·499
54	111·757	131·137	154·538	182·845	217·146	258·774
55	115·551	136·072	160·947	191·159	227·918	272·713
56	119·440	141·154	167·580	199·806	239·174	287·348
57	123·426	146·388	174·445	208·798	250·937	302·716
58	127·511	151·780	181·551	218·150	263·229	318·851
59	131·699	157·333	188·905	227·876	276·075	335·794
60	135·992	163·053	196·517	237·991	289·498	353·584
61	140·391	168·945	204·395	248·510	303·525	372·263
62	144·901	175·013	212·549	259·451	318·184	391·876
63	149·524	181·264	220·988	270·829	333·502	412·470
64	154·262	187·702	229·723	282·662	349·510	434·093
65	159·118	194·333	238·763	294·968	366·238	456·798
66	164·096	201·163	248·120	307·767	383·719	480·638
67	169·199	208·198	257·804	321·078	401·986	505·670
68	174·429	215·444	267·827	334·921	421·075	531·953
69	179·789	222·907	278·201	349·318	441·024	559·551
70	185·284	230·594	288·938	364·290	461·870	588·529
71	190·916	238·512	300·051	379·862	483·654	618·955
72	196·689	246·667	311·552	396·057	506·418	650·903
73	202·606	255·067	323·457	412·899	530·207	684·448
74	208·671	263·719	335·778	430·415	555·066	719·670
75	214·888	272·631	348·530	448·631	581·044	756·654
76	221·260	281·810	361·729	467·577	608·191	795·486
77	227·792	291·264	375·389	487·280	636·560	836·261
78	234·487	301·002	389·528	507·771	666·205	879·074
79	241·349	311·032	404·161	529·082	697·184	924·027
80	248·383	321·363	419·307	551·245	729·558	971·229
81	255·592	332·004	434·983	574·295	763·388	1020·790
82	262·982	342·964	451·207	598·267	798·740	1072·830
83	270·557	354·253	467·999	623·197	835·684	1127·471
84	278·321	365·881	485·379	649·125	874·289	1184·845
85	286·279	377·857	503·367	676·090	914·632	1245·087
86	294·435	390·193	521·985	704·134	956·791	1308·341
87	302·796	402·898	541·255	733·299	1000·846	1374·758
88	311·366	415·985	561·199	763·631	1046·884	1444·496
89	320·150	429·465	581·841	795·176	1094·994	1517·721
90	329·154	443·349	603·205	827·983	1145·269	1594·607
91	338·383	457·649	625·317	862·103	1197·806	1675·338
92	347·843	472·379	648·203	897·587	1252·707	1760·105
93	357·539	487·550	671·890	934·490	1310·079	1849·110
94	367·477	503·177	696·407	972·870	1370·033	1942·565
95	377·664	519·272	721·781	1012·785	1432·684	2040·694
96	388·106	535·850	748·043	1054·296	1498·155	2143·728
97	398·808	552·926	775·225	1097·468	1566·572	2251·915
98	409·779	570·513	803·358	1142·367	1638·068	2365·510
99	421·023	588·629	832·475	1189·061	1712·781	2484·786
100	432·549	607·288	862·612	1237·624	1790·856	2610·025

Appendix B.

COMPOUND INTEREST TABLES.

The Amount of £1 per Annum.

Years.	6%.	7%.	8%.	9%.	10%.
51	308·756	435·986	620·672	889·441	1281·299
52	328·281	467·505	671·326	970·491	1410·429
53	348·978	501·230	726·032	1058·835	1552·472
54	370·917	537·316	785·114	1155·130	1708·719
55	394·172	575·929	848·923	1260·092	1880·591
56	418·822	617·244	917·837	1374·500	2069·651
57	444·952	661·451	992·264	1499·205	2277·616
58	472·649	708·752	1072·645	1635·134	2506·377
59	502·008	759·365	1159·457	1783·296	2758·015
60	533·128	813·520	1253·213	1944·792	3034·816
61	566·116	871·467	1354·470	2120·823	3339·298
62	601·083	933·469	1463·828	2312·698	3674·228
63	638·148	999·812	1581·934	2521·840	4042·651
64	677·437	1070·799	1709·489	2749·806	4447·916
65	719·083	1146·755	1847·248	2998·288	4893·707
66	763·228	1228·028	1996·028	3269·134	5384·078
67	810·022	1314·990	2156·710	3564·357	5923·486
68	859·623	1408·039	2330·247	3886·149	6516·834
69	912·200	1507·602	2517·667	4236·902	7169·518
70	967·932	1614·134	2720·080	4619·223	7887·470
71	1027·008	1728·124	2938·686	5035·953	8677·217
72	1089·629	1850·092	3174·781	5490·189	9545·938
73	1156·006	1980·599	3429·764	5985·306	10501·532
74	1226·367	2120·241	3705·145	6524·984	11552·685
75	1300·949	2269·657	4002·557	7113·232	12708·954
76	1380·006	2429·533	4323·761	7754·423	13980·849
77	1463·806	2600·601	4670·662	8453·321	15379·934
78	1552·634	2783·643	5045·315	9215·120	16918·927
79	1646·792	2979·498	5449·940	10045·481	18611·820
80	1746·600	3189·063	5886·935	10950·574	20474·002
81	1852·396	3413·297	6358·890	11937·126	22522·402
82	1964·540	3653·228	6868·601	13012·467	24775·643
83	2083·412	3909·954	7419·090	14184·589	27254·207
84	2209·417	4184·651	8013·617	15462·202	29980·628
85	2342·982	4478·576	8655·706	16854·800	32979·690
86	2484·561	4793·076	9349·163	18372·732	36278·659
87	2634·634	5129·592	10098·096	20027 278	39907·525
88	2793·712	5489·663	10906·943	21830·733	43899·278
89	2962·335	5874·940	11780·499	23796·499	48290·206
90	3141·075	6287·185	12723·939	25939·184	53120·226
91	3330·540	6728·288	13742·854	28274 711	58433·249
92	3531·372	7200·269	14843·282	30820·435	64277·574
93	3744·254	7705·287	16031·745	33595·274	70706·331
94	3969·910	8245·658	17315·284	36619·849	77777·964
95	4209·104	8823·854	18701·507	39916·635	85556·760
96	4462·651	9442·523	20198·627	43510·132	94113·437
97	4731·410	10104·500	21815·518	47427·044	103525 780
98	5016·294	10812·815	23561·759	51696·478	113879·358
99	5318·272	11570·712	25447 700	56350·161	125268·294
100	5638·368	12381·662	27484·516	61422·675	137796·123

APPENDIX C.

SOLUTIONS TO QUESTIONS SET IN APPENDIX A.

1. *Answer.*—£1000. Valued on 5 per cent. table because poor-class property and ground rents only about three times secured by estimated net rents.

2. *Answer.*—£95·9, say £96. Accumulation supposed to take place at 3 per cent. First fine payable in 7 years, second and subsequent fines every 14 years after first 7 years. The capital sum is never exhausted, and remains invested at 3 per cent.

3. *Answer.*—The difference allows for the shorter period of enjoyment, and the fact that the purchase money must be less, so that the annual income may be sufficient not only to pay interest on it, but also to provide the annual contribution to the sinking fund for replacing capital, necessary in the case of all terminable estate.

4. *Answer.*—£625 per acre. The answer can only be given at per acre, as the acreage of the estate is not stated. The first item is taken at 4 per cent., the second at 5 per cent. A year's peppercorn has been allowed. The nominal rent taken for 10 years. Unsecured ground rent in perpetuity after 11 years.

5. *Answer.*—

Let i = interest

$(1+i)^6 = 1\frac{1}{2}$

$i = \sqrt[6]{1\frac{1}{2} - 1}$

$= 6{\cdot}991$ per cent.

6. *Answer.*—A sinking fund is furnished by an amount put by year by year to accumulate at compound interest to provide for replacing capital when the estate in the property in which such capital is invested comes to an end.

7. *Answer.*—Unless there were special reasons suggesting another course, value the ground rent in perpetuity and disregard the reversion as being too remote to have any practical effect in increasing the present value. The valuation would be as follows:—

£10 per annum in perpetuity at 3 per cent. = £10
at 33·333 years' purchase . . . . . = £333·33

8. *Answer.*—£3953. Longest of two lives. Deductions from annual rentals = repairs 15 per cent., contingencies 5 per cent. on gross rents. Insurance £4 per annum.

9. *Answer.*—

(1) The amount lent shall not exceed, say, half the capital value of the life estate, and the annual income shall be sufficient to meet the interest agreed upon plus insurance premiums and expenses and leave a good margin.

(2) The borrower's life must be insured for the full sum loaned, the premiums being paid by the borrower.

(3) Full powers shall be reserved by the mortgagee to take possession, and collect the income during the borrower's life if the interest is not paid; the usual powers of sale should be given.

(4) The rate of interest should be from 5 per cent. to 6 per cent.

10. *Answer.*—£3725.

11. *Answer.*—The table is calculated on the principle (*a*) that the purchaser shall receive an agreed rate of interest per annum on his investment and the return of his capital at the end of the period for which he will hold the property; (*b*) that the net income from the property shall be received annually, the first payment becoming due at the end of the first year; (*c*) and that such income will be sufficient to pay the annual interest and provide the necessary sinking fund to ensure the return of capital.

In the more common table, the calculation is based on the assumption that the sinking fund can be accumulated at the same rate of interest as that which the investment is to pay, but in the extra tables the reinvestment for replacing capital is provided for at lower rates.

12. *Answer.*—£2207. The premium has been spread over 21 years at 5 per cent. The other items have been taken at 6 per cent. Contingencies allowed on second calculation, 2½ per cent.

13. *Answer.*—Valuation tables are a collection of interest, compound interest, and compound interest combined with mortality tables. The table for purchasing leases, estates, or annuities held for terms comprises a collection of ascertained numbers showing the number of years' purchase of a net annual income arising from a property which may be given for that property on the basis of the net annual income being sufficient to pay the purchaser an agreed rate of interest per annum on the sum invested and in addition provide a sinking fund to replace capital at the end of the period for which his interest in the property will endure.

In the ordinary table the investment and reinvestment are calculated at the same rate of interest, but in the extra tables the reinvestment

or sinking fund has been calculated at a lower rate of interest than that taken for investment.

In the case of the perpetuity table, the provision of a sinking fund is not applicable.

Some of the tables apply to a definite number of years, some to perpetuity, some to life interests, reversionary estate, etc. There are also tables showing the amount of £1 in any number of years; the present value of £1 due in any number of years; the amount of £1 per annum in any number of years; the present value of £1 per annum in any number of years.

The tables help the valuer by supplying him with ready calculated results on interest and compound interest, thus assisting the ascertainment of the capital value of a net annual income arising from a property to be enjoyed for a given period, during life or in perpetuity.

The tables are also helpful in determining the amount to be put by year by year to replace a required sum in any number of years; in calculating renewal fines, the present value of a sum which will not be received for a number of years, the sum which must be put by to accumulate a certain sum within a given period; in showing the amount of a sum in any number of years at compound interest, etc.

14. *Answer.*—The tables dealing with perpetuities are calculated at simple interest; but those applicable to the valuation of leaseholds are calculated at compound interest or a combination of simple and compound interest.

Simple interest is employed in the case of perpetuities, because in that instance the estate is not limited in point of duration. The tables for purchasing leases and terminable estates are calculated on the basis of simple interest on investment and the inclusion of a sinking fund, which, accumulating at compound interest, will provide for the return of capital within the period for which the property will endure, because if this were not so the purchaser would draw upon his capital instead of merely putting it out to interest.

The tables giving the present value of £1, the amount of £1, and the amount of £1 per annum are calculated at compound interest.

15. *Answer.*—The value is £873. The ground rent is very well secured and has been capitalised at $3\frac{1}{2}$ per cent. The rack rents have been capitalised at 6 per cent.; $2\frac{1}{2}$ per cent. has been allowed for contingencies. There are no capital deductions: the lessee is a substantial man and is liable. Reversion duty payable in 31 years not considered—particulars insufficient.

16. *Answer.*—

(*a*) The capital value of the property as ascertained for mortgage purposes should exceed the amount loaned by at least one-half. In many cases it should be twice the value of the amount lent.

(*b*) The net annual income should exceed the amount of

interest on the loan by at least one-half. In urban property the better margin would be 100 per cent.

(*c*) If the lease is getting short, provision should be made for reducing the amount loaned by given sums at stated periods.

(*d*) The state of repair at the time of the loan and the subsequent upkeep should be kept in mind; periodical inspection and revaluation should be advised.

(*e*) A properly drawn mortgage deed must be executed, but that is a matter for the client's solicitor.

17. *Answer.*—Some of the main considerations to be regarded in valuing a property are as follows:—

(*a*) The tenure, whether freehold (fee simple), lifehold, leasehold, or copyhold.

(*b*) The nature of the property, whether land, or land and buildings. If land, whether agricultural land, accommodation or building land. If buildings, the class, whether residences, shop property, factories, warehouses, stabling, garages, etc., and whether suitable for letting weekly, yearly, or on lease.

(*c*) Situation of the property, whether an improving or falling neighbourhood, as showing whether the present rents are likely to be maintained, to decrease or to increase. The demand for the property.

(*d*) The class of buildings, whether well or poorly constructed, and general condition.

(*e*) The return from the property, or the net income which it produces as it stands, or may be made to produce by improvements.

(*f*) The annual outgoings.

(*g*) Supply and demand, as showing the readiness or otherwise with which it would let or sell.

(*h*) The condition of the property.

(*i*) Any charges or duties to which the property may be liable, or any capital outlay which may fall on the owner.

(*j*) If leasehold, the length of the lease and the amount of the ground rent.

18. *Answer.*—The value of the freehold property is £35,088, and the cost to purchase an annuity would be £3912. The property has been valued on 5 per cent. table; $2\frac{1}{2}$ per cent. of the rents received has been allowed for contingencies. £150 allowed for expenses.

19. *Answer.*—The difference in value between Freehold and Copyhold of Inheritance and Copyhold for Lives or Years with right of renewal is, generally speaking, since copyholds may be compulsorily enfranchised under the Copyhold Act 1894, the cost of enfranchisement, that is, the lord's compensation, steward's fees, and

all expenses of the Board and valuers, as by enfranchising the copyhold land is converted into freehold of the highest class.

There are, however, copyholds for lives and years without right of renewal, and in those cases the estate may be of comparatively little value. Such property cannot be compulsorily enfranchised. There are, too, some remote cases in which copyhold of inheritance, etc., cannot be compulsorily enfranchised.

20. *Answer.*—The amount to be multiplied by the years' purchase is in every case the net income. Where the rack rent and net income are identical the former will be multiplied by the years' purchase without deduction. Rack rent simply means full annual value, and may be applied to any cases where the full rent is obtained, without specifying other conditions of tenancy. The use of the term rack rent is not sufficiently definite, rack rent in some cases representing the net income and in other cases being subject to deduction.

21. *Answer.*—£6672.

22. *Answer.*—A tenancy for life is a freehold estate limited in point of duration, and dependent upon the continuance of the life or lives on which it is held subject to the law governing life estate and the terms of the grant.

A lease for life is, as its name implies, a leasehold interest, the term of enjoyment depending on the duration of a life or lives. The exact terms of the holding depend on the covenants of the lease.

In valuing a reversion after these interests the years' purchase on the selected mortality table for the given age are deducted from the years' purchase for perpetuity, and the net annual income arising from the property is multiplied by the remainder. The rate of interest must depend upon all the circumstances of the cases.

23. *Answer.*—The reason for agricultural land being valued at a low rate of interest compared with other properties is that it is much sought after by wealthy persons because of the social standing its possession is regarded as conferring; consequently it sells at a better price. It is doubtful whether this will continue to be so in the future in the same degree as it has been in the past.

24. *Answer.*—The value of the property cannot be ascertained without fuller particulars as to the cost of roads, interest on capital involved, and expenses; but, disregarding these items, the value is £8410.

25. *Answer.*—The value of the leaseholder's interest is £455.

26. *Answer.*—

(1) An Arbitrary Fine, if of the maximum amount payable both on alienation and death, should be valued by multiplying the fineable annual value by the years'

purchase, according to the age of the tenant set out in the Official Scale.

(2) Where an Arbitrary Fine is stated to be of the maximum amount payable on admission, nothing being said to confine it to admission on death only or admission on alienation only, the inference is that it is payable in either event.

(3) An Arbitrary Fine, if of maximum amount payable in one event only, should be valued by multiplying the fineable annual value by one-half the number of years' purchase, according to the age of the tenant set out in the Official Scale.

NOTE.—When a fine is not of the maximum amount, the proportion of the value, found as above suggested, which the fine according to custom bears to the maximum fine must be taken as the value.

(4–5) A Fine Certain and a Relief payable on both death and alienation should be valued by multiplying the amount of the fine or relief by half the number of years' purchase for the given age, as set out in the Official Scale of Compensation.

(6) A Heriot payable both on death and alienation would be valued by multiplying the amount of the heriot by one-half the number of years' purchase for the given age set out in the Official Scale.

(7) A Heriot payable on admission, unless the contrary is expressed, would be taken to mean on admission both on death and alienation, and would be dealt with as stated in Answer 6.

(8) When a Heriot is payable on alienation only, it is valued by multiplying the amount or value of the heriot by $\frac{1}{4}$ of the years' purchase for the age of the tenant as set out in the Official Scale.

(9) Quit Rents, Free Rents, etc., are valued at 25 years' purchase.

27. *Answer.*—£1013.

28. *Answer.*—A receives 5 per cent. on his investment, which is a very low return on a short leasehold.

29. *Answer.*—The sitting rent is £336 per annum.

30. *Answer.*—The value of the leasehold premises is £950.

31. *Answer.*—

(1) Increment Value Duty is a duty upon the increment value of land, that is, upon the amount by which the site value upon an occasion for the collection of duty exceeds the original site value.

(2) Reversion Duty is a duty levied at the rate of £1 for every complete £10 of the value of the benefit which accrues to the lessor by the determination of a lease.

(3) Undeveloped Land Duty is an annual duty of ½d. in the £ on the site value of undeveloped land, and is to be levied for the year ending 31st March 1910, and every subsequent year.

32. *Answer.*—A ought to pay a renewal premium of £1168.

33. *Answer.*—In the process of the General Valuation, four values have to be arrived at:—

(1) The Gross Value, which is the value of the property as it stands, but free from all incumbrances, charges, burdens, or restrictions (if any), save rates and taxes.

(2) The Total Value, which, when settled in the General Valuation, becomes Original Total Value. This is the gross minus the amount by which the value is diminished by reason of certain restrictions (if any) attaching to the land, fixed charges, public rights of way, ditto, ditto of user, rights of common, easements, and restrictive covenants.

(3) The Full Site Value. This is the gross value minus any value attributable to any buildings, timber, fruit trees, etc.

(4) Assessable Site Value. Also spoken of as Site Value. This is the market value of the site, assumed to be a cleared site, with deductions in respect of certain existing elements of value and cost of clearing the site when necessary.

34. *Answer.*—

(1) The Rateable Value in the case of the weekly tenancy is £47; the yearly tenancy £66, 13s.; the 3 years' agreement £70; and the repairing lease £73.

(2) The Gross Value in each of the four cases is £108.

35. *Answer.*—The Assessable Site Value is the gross after deducting:—

(1) The amount by which the value is diminished by reason of certain restrictions, burdens, and charges, supposing any such burden, etc., exist (see section 25).

(2) Any part of the total value attributable to buildings, growing timber, fruit trees, etc., etc., on the land.

(3) Any part of the total value attributable to works executed or expenditure of a capital nature, advertising to improve value as building land, or expenditure in business trade, or industry other than agriculture.

(4) Any part of the value attributable directly to appropriation of land or to the gift of land for streets, roads, paths, squares, gardens, or other open spaces for the public.

(5) Part of the value attributable to the redemption of land tax, redemption of any fixed charge, the redemption of copyhold or customary freehold or outlay in effecting the release of any covenant or restriction affecting the user of the land.

(6) Cost of divesting the land of buildings, timber, trees, or other things of which it is to be taken to be divested, and of which it would be necessary to divest the land for the purpose of realising the full site value.

36. *Answer.*—

(*a*) Log 1·05 . . . . . = 0·0211893
Raised to the 5th power . . . 5

0·1059465
Log 50 . . . . . 1·6989700

1·8049165
Next lower log . . . 1·8049160

The Common Number . . . 5 difference
corresponding to which is (with 1 added for difference) 63·8141 or £63·814, or **£63 16 3¼**.

(*b*) $= \frac{50}{1{\cdot}035^5}$.
Log 1·035 . . . . . = 0·0149403
5

0·0747015
Log 50 . . . . . 1·6989700

1·6242685
1·6242615

70

$= £42{\cdot}0987$ or **£42 1 11**.

37. *Answer.*—

£1 per annum for 21 years at 3 per cent. . . . . = £28·67649

∴ Sinking fund . . . . = $£\frac{1}{28{\cdot}67649}$ = £·034

Interest on investment . . . . . = ·06

Annual return which every £ must give . . . = £·094

∴ $£\frac{1}{{\cdot}094} = 10{\cdot}54$.

But the property was purchased for £1000,

$\therefore$ net annual return must be $£\frac{1000}{10{\cdot}54}$ . . . = £95

The net annual income must be £95 per annum.

38. *Answer.*—

(1) (*a*) The Gross Value	= £100	0	0
Rateable „	=	90	0	0
(*b*) The Gross Value	=	100	0	0
Rateable „	=	83	7	0
(*c*) The Gross Value	=	100	0	0
Rateable „	=	83	7	0
(*d*) The Gross Value	=	132	0	0
Rateable „	=	110	0	0
(2) (*a*) The Gross Estimated Rental . . .	=	108	0	0
Net Annual Value	=	82	0	0
(*b*) The Gross Estimated Rental . . .	=	100	0	0
Net Annual Value	=	74	0	0
(*c*) The Gross Estimated Rental . . .	=	100	0	0
Net Annual Value	=	74	0	0
(*d*) The Gross Estimated Rental . .	=	146	0	0
Net Annual Value	=	120	0	0

39. *Answer.*—

$(a) = £20 \times \frac{1{\cdot}05^5 - 1}{1{\cdot}05 - 1}$

= Log 1·05 . . . . . = 0·0211893

5

0·1059465

Next lower log . . . . 0·1059187 = 1·27628

278 1·

1·05 − 1 = ·05) ·27628

$= £5{\cdot}5256 \times 20 =$ **£110, 10s.**

$(b) = \frac{\text{Amount of £1 p.a.}}{\text{Amount of £1}}$ = present value of £1 p.a.

$\frac{\frac{1{\cdot}07^7 - 1}{1{\cdot}07 - 1}}{10 \times \frac{1{\cdot}07^7}{1{\cdot}07^7}} = \frac{8{\cdot}654}{1{\cdot}60578}$

Log 1·07 = 0·0293838

7

0·2056866

Nearest log 0·2056644 = 1·60578

222

216 = 8 1·

1·07 − 1 = ·07) ·60578 = 8·654

$8{\cdot}654 \div 1{\cdot}60578 = 5{\cdot}3893$ = present value of £1 per annum for 7 years at 7 per cent.

The present value of £10 per annum for 7 years at 7 per cent.

= **£53, 17s.**

40. *Answer.*—

£1 per annum for 21 years at $3\frac{1}{2}$ per cent. = 30·269.

$\therefore$ Sinking fund $= \frac{1}{30{\cdot}269}$ . . . . . = £·033

Annual interest on investment . . . . . = ·06

$\therefore$ Annual return on every £1 must be . . . . = £·093

$£\frac{1}{{\cdot}093} = 10{\cdot}75$.

£150 × 10·75 = **£1612, 10s.**

APPENDIX D.

SCALE OF PROFESSIONAL CHARGES OF THE SURVEYORS' INSTITUTION.

THE following Scale is *in all cases* exclusive of disbursements, plans, copies of documents, and lithography.

1. *Valuation of Freehold, Copyhold, or Leasehold Property.*

1 guinea per cent. on the first £1000.
½ guinea per cent. on the next £9000.
And ¼ guinea per cent. on the residue.

NOTE.—*In valuations for mortgage, if an advance is not made, one-third of the above charges, with a minimum fee of 5 guineas, may be made, provided that the intending mortgagee is informed of the arrangement.*

2. *Valuing and negotiating the Settlement of Claims under the Lands Clauses Consolidation Act or other Acts for the Compulsory Acquisition of the Property.*

On Amount of Settlement whether by Verdict, Award or otherwise.

Amount.	Guineas.	Amount.	Guineas.	Amount.	Guineas.	Amount.	Guineas.
£		£		£		£	
100	5	2400	25	5600	41	8,800	57
200	7	2600	26	5800	42	9,000	58
300	9	2800	27	6000	43	9,200	59
400	11	3000	28	6200	44	9,400	60
500	13	3200	29	6400	45	9,600	61
600	14	3400	30	6600	46	9,800	62
700	15	3600	31	6800	47	10,000	63
800	16	3800	32	7000	48	11,000	68
900	17	4000	33	7200	49	12,000	73
1000	18	4200	34	7400	50	14,000	83
1200	19	4400	35	7600	51	16,000	93
1400	20	4600	36	7800	52	18,000	103
1600	21	4800	37	8000	53	20,000	113
1800	22	5000	38	8200	54	½ guinea per cent.	
2000	23	5200	39	8400	55	on the remainder.	
2200	24	5400	40	8600	56		

NOTE.—*This Scale, known as Ryde's Scale, does not apply to arbitrators or umpires, nor in cases of easement. It is exclusive of attendance on juries or umpires or at arbitrations, in respect of which the fee is £5, 5s. per diem.*

3. *Valuations for Probate or Estate Duty.*

Real Property:—
1 guinea per cent. on first £1000.
¼ guinea per cent. on residue.

Personal Property:—
2½ guineas per cent. on the first £500, and
1½ guineas per cent. on the residue (to include the Inventory). (Minimum fee, 5 guineas.)

4. *Valuations under Finance* (1909–10) *Act*, 1910.

For Country, Residential Properties, Agricultural Land and Undeveloped Land:—
½ guinea per cent. up to £20,000 on the total value;
¼ guinea per cent. on balance above that amount.

Urban Properties:—
¼ guinea per cent. up to £20,000 on the Total Value;
⅛ guinea per cent. on balance above that amount. (Minimum fee, 3 guineas.)

Where an agent, whether resident or otherwise, is appointed on behalf of his client, one-half of the above Scales to be charged. This Scale is exclusive of attendance before referee or other tribunal, in respect of which the fee is £5, 5s. per diem.

5. *Valuing Agricultural Land for Annual Rental.*

5 guineas per cent. up to £500, and 2½ per cent. beyond, inclusive of letting if required.

6. *Farm Valuations.*

(*a*) For Valuing Live and Dead Farming Stock, Agricultural Plant, Machinery, Fixtures, and Growing Crops:—
5 guineas per cent. on the first £100.
2½ guineas per cent. on the residue.

(*b*) For Valuing Ordinary Farm Tenant Right (not including the above):—
5 guineas up to £100.
2 guineas per cent. on next £900.
1½ guineas per cent. on the residue.

The above charges are to be calculated on the GROSS amount of a valuation before any deductions are made therefrom for dilapidations or other matters dealt with, and are not intended to cover the preparation and adjustment of Claims under the Agricultural Holdings Acts, or other special matters, for which an additional charge, commensurate with the amount of work involved, is to be made.

(*c*) For settling Dilapidations to Buildings, Land, etc. :—
5 guineas per cent. on amount.

NOTE.—*Where one valuer acts between outgoer and ingoer the minimum charge shall be Scale and a half divisible between both parties.*

7. *Marking, valuing, and selling Timber and Underwood.*

5 guineas per cent. on the amount realised.

When valuing only :—

5 guineas per cent. on £100.
2½ guineas per cent. on residue.

8. *Negotiating a Sale by Private Contract, or introducing a Purchaser.* (*Including advising as to value if required.*)

Under £500, 5 per cent. on £100 and 2½ per cent. on the residue.
Between £500 and £5000, 2½ per cent.
On the residue above £5000, 1½ per cent.

NOTE.—*A similar Scale is chargeable on sale by auction. If the property is divided into numerous lots an extra commission on the amount realised is chargeable.*

9. *Effecting a Purchase.* (*Including advising as to value if required.*)

One-half the fee charged on Sales.

NOTE.—*When more than one Property has been reported upon, an extra fee will be chargeable.*

10. *Letting Land on a Building Lease.*

One year's full Ground Rent up to £50 per annum, above that by arrangement.

11. *Estate Agencies and Collection of Rents or Tithes.*

10 per cent. upon gross rental of weekly property.
5 per cent. upon gross rental of other property or tithes.
2½ to 5 per cent. on Ground Rents, according to the amount of the rents and the number of collections.

12. *On letting Unfurnished Houses or disposing of Leases other than Ground Leases.*

Where for three years or less, 5 per cent. on one year's rent; where more than three years, 7½ per cent. on one year's rent.
Where a premium is paid, 5 per cent. up to £1000, and 2½ per cent. on the residue, should be charged in addition.
Where the rent is progressive the commission should be calculated on the average.

13. *On Negotiating Tenancies of Unfurnished Houses.*

One-half the Scale on letting.

14. *Preparing Specification of Dilapidations and settling the Amount of same.*

5 per cent. on the sum agreed. (Minimum fee, 5 guineas.)

15. *For approving Plans submitted by Lessees, and inspecting Buildings during Progress.*

1 guinea per cent. (Minimum fee, 3 guineas.)

16. *Levelling, preparing Drawings, and setting out Estates for Road-making, Drainage, etc., and superintending the Execution of the Works.*

5 per cent. on the cost of the Works.

17. *For Land Surveying and the Preparation of Plans and Maps.*

By arrangement.

18. *Designing New Buildings. Architectural Work.*

The R.I.B.A. Scale.

19. *Preparing Contract Particulars and valuing Work done.*

i. *Lump Sum Contracts. Architectural Work.*

(*a*) Taking out and preparing Bills of Quantities :—

2½ per cent. upon the estimated cost of the work up to £5000.

2 per cent. on ditto above £5000.

(*b*) Pricing out Estimates :—

½ per cent.

(*c*) Measuring and making up Account of Variations upon Contracts, including Pricing :—

2½ per cent. upon the amount of the gross additions, and

1½ per cent. upon the amount of the gross omissions.

(*d*) Preparing approximate Estimates :—

½ per cent. upon the estimated cost.

(*e*) Surveying Works in Progress, taking Particulars and reporting for Interim Certificates :—

½ per cent. upon the amount of the valuation.

(*f*) Taking Particulars on Site and writing Specifications for Works of Alteration :—

The charge to be based upon the time involved or by way of additional percentage, as may be agreed.

NOTE.—*In cases where any of the materials used in construction are supplied by the building owner, the percentage charge to be made upon the estimated or actual value thereof.*

ii. *Schedule Contracts. Architectural Works.*

(*a*) Preparing, pricing, and agreeing a Schedule of Prices :—

½ per cent. upon the cost of the work.

(*b*) Measuring, bringing to Account, and valuing Work done :—

2½ per cent. upon the gross amount of the account.

NOTE.—*In cases where any of the materials used in construction are supplied by the building owner, the percentage charge to be made upon the estimated or actual value thereof.*

iii. *Engineering Work.*

Generally speaking, the charges for work which can be classed as Engineering Work are, as regards the percentages, to be half those for Architectural Work, but the same as the latter in respect of charges based upon time.

iv. *Litigation and Arbitration.*

For qualifying to give evidence, settling proofs, conferences with solicitors and counsel, attendance in the courts or before arbitrators or other tribunals, and for other services in connection with litigation and arbitration, the charges are to be based upon the time involved, but are in no case to be less than a minimum of £5, 5s. per day.

INDEX.

A

Absolute Exemptions from Rating, 274.
Accommodation Land—
  Definition of, 14.
  Value of, 100.
Accuracy, Safeguard to, 77.
Adjustment of Rules to meet Circumstances, 94.
Admission after Death and Alienation, 228.
Admission Fines, Copyhold Estate—Worked Examples, 241–242.
Admissions and Admission Fines, 236.
Advances on Mortgage as an Investment, 359.
Advertising Stations, Assessment of—Worked Example, 315–316.
—— —— (Rating) Act 1889, 269.
Age and Condition of Buildings on Land, 116.
Agricultural Land—
  Definition of, 13.
  Value of, 100.
Alterations undertaken by a lessee, effect of, 249.
Amount of £1, 22.
—— —— Formation of Table, 43.
—— —— Table, 426–429.
Amount of £1 per annum, 22.
—— —— Formation of Table, 43.
—— —— Table, 430–433.
Annual Equivalent of Capital Outlay, 395.
Annual Equivalent of Half Premium, Table, 398.
Annual Equivalents and Sitting Rents, 73.
Annual Payments, Copyhold Estate, 234.
Annual Value—
  Assessment of, for rating purposes, 75.
  based on Capital Value, 293.
  Cases in which rent paid does not represent, 288–290.
  Criterion of, 287.
  Fineable, 230.
  found from Capital Value, 293.
  How found in special cases, 290–291.
Appeals, Dates of, 285–287.
Apportionment of Increment Value Duty, 202–204.
Arbitrary Fine—
  Application of Official Scale in Assessment of, 234.
  Definition of, 17.
  may vary with the customs of manors, 227.
Assessability and Liability (Rating), Exceptions to general rule, 270.
Assessable Site Value under the Finance Act—Worked Examples, 179–182.
Assessment and Valuation Conference, 1914, Resolutions, 309–407.
Assessments—
  Advertising Stations—Worked Example, 315–316.
  Cemeteries, 304.
  Contractor's Theory—Worked Examples, 314.
  Flats—Worked Examples, 316–320.
  for Rating Purposes, 265–328.
  —— —— Worked Examples, 306–328.
  Gravel Pit, 304.
  involving Fixtures and Machinery—Worked Examples, 320.
  Licensed Premises — Worked Examples, 323–328.

Assessments (*continued*)—
Monopolies — Worked Example, 321–328.
Official Scale for assessment of weekly property, 392–393.
on Basis of Profits, 296–298.
Plantations, 304–305.
Preparation, Correction, and Confirmation of Valuation List, 278.
Principles and Rules, 287–306.
Procedure, 281.
—— inside the Metropolis, 282–286.
—— outside the Metropolis, 278–282.
Property let on Lease—Worked Example, 311–312.
—— —— at Low Rentals—Worked Example, 313.
—— —— on Three Years' Agreement—Worked Example, 311.
Property let on Yearly Tenancy—Worked Example, 310.
—— on which there are fixtures, 320.
Rows of similar Houses—Worked Example, 314.
Sporting rights, 305–306.
Weekly Property—Worked Example, 306–310.
Woods, 304–305.
At per foot frontage, or at per foot super, etc., 259.
Attributes of an Ideal Investment, 94.
Average Annual Deductions from Income, 120–123.
Averaging, 261–262.

B

Basis and Method, 63.
—— compared, 292.
—— of Value, 257–259.
—— on which Rates are Calculated, 283.
Betterment, 339.
Board of Agriculture—
Fees payable to, on Enfranchisement of Copyhold, 386–387.
Minute of, relating to Copyhold Enfranchisement, 371–380.
Official Scale for Copyhold Enfranchisement, 381–384.
Building Land—
Definition of, 14.
Value of, 100.
Buildings—
Age and condition of, 116.
Allowance for Old Materials, 262.
How valued, 293–294.
Value of, as distinct from Cost of Erection, 293.
Business Premises, Definition of, 122.
Byelaws and Regulations affecting Values—
General Sanitary Requirements, 124–130.
Water-Closet Accommodation, 130.
Water Supply, 130.

C

Capital—
Deductions, General reference to, 65.
—— Hints to Examinees, 255.
—— Items and Amounts, 123–131.
Invested, Income Equivalent of, 72.
Outlay, converting into Annual Equivalent, 395.
Replacement of, Formation of Sinking Fund Tables, 48.
Value, or "Value," 62.
—— as a Basis of Annual Value, 293.
—— of Fines in Perpetuity, 71.
Capitalisation of Fines, etc., 232.
Cemeteries, Rating of, 304.
Chief Rents, 229.
City of London (Union of Parishes Act 1909), 270.
Classes of Property, Freehold, Various, 100.
Collection, Allowance for, 123.
Common Rights, 230.
Compensation Cases—
Compulsory Purchase—Worked Examples, 349–356.
Cost of Representation in, 236.
Injurious effect on Land not taken, 340.
On Enfranchisement of Copyhold, 236–247.
On Forced Sale, 329–357.
Schedule for Recording Dealings in, 357.

Compensation Cases (*continued*)—
under the Land Clauses Acts and other special circumstances, 256.
Compound Interest Tables, with Formulæ, 425–433.
—— —— —— Formation of Valuation Tables from, 42.
Compulsory Purchase, 256.
—— —— and Compensation, 329–357.
—— —— of part only of a Building, 338.
—— —— Special Considerations, 332–338.
—— —— Valuations for — Example, 349–356.
Compulsory Rates, Origin of, 268.
Compulsory Sale and Purchase, General Principles of Valuation apply, 331.
Conditional Exemptions from Rating, 274.
Conditions of Leases, 109.
Consols, price of, effect on value of land, 119.
Contingencies, allowance for, 123.
Contingent Life Interests, 103.
Contractor's Theory, 292–293.
Contributive Value, 300.
Coparceners—
Admission Fines and Enfranchisement, 242.
Definition of, 13.
Position of, 223.
Copyhold Property—
Admission and Admission Fines, 17, 223, 227, 236.
and Freehold compared, 74.
Arbitrary Fines, 17, 227.
Chief considerations from the valuation point of view, 224, 225.
Chief Rents, 229, 234.
Classes of, 225.
Common, Tenant's rights in, 230.
Compensation, 235, 247.
Coparceners, 223.
Customary Freeholds, 224.
Customs, enfranchisements, etc., 224–247.
—— general, 226.
—— special, 227.
Definition of, 17, 222.
Copyhold Property (*continued*)—
Enfranchisable, 224, 226.
Enfranchisement—
Application of Official Scale, 234.
Coparceners, when property held by, 240.
Cost of, 235, 236.
—— By whom borne, 236.
Escheat, Lord's right to, not affected by, 230.
—— No allowance for in compensation, 235.
Fees payable to Board of Agriculture, 386, 387.
Fines Arbitrary and Certain, application of Official Scale, 234.
Forfeitures, allowance to Lord in respect of, 235.
Heriots, compensation for, 234.
—— value of, how estimated, 228.
Information required before compensation can be assessed, 230–232.
Joint Tenants—Worked Examples of compensation assessment, 238.
Mines, not included except by agreement, 229.
Minute of Board of Agriculture relating to the assessment of consideration, 371–380.
Official Scale relating to, 381, 388.
Quit Rent, application of Official Scale, 234.
Reliefs, compensation for, 228.
Repairs, deduction for, 230.
Steward's compensation, 385.
Tenants in Common—Examples, 239–240, 242–243.
Tenant's Right of Common not affected, 230.
Timber, assessment of Lord's compensation, 234, 235.
Valuer's fees, 388.
Worked examples, 236–247.
Fines, varying customs as to amount and occasion for payment, 226–228.
Forfeitures, Lord's right to, 230.
Freehold, customary, 224.
Heriot, 18, 228.
How transferred, 224.

Copyhold Property (*continued*)—
Joint Tenants, 13, 223.
—— —— Enfranchisement — Example, 238.
—— —— Fines on admission—Examples, 241.
Licence to lease, 228, 229
Minerals, 229.
Quit Rents, 18, 229, 234.
Repairs, tenant's liability for, 230.
Rights of Common, 230.
Special customs, 226–227, 235.
Tenants in Common, 19, 223, 239–240, 242–243.
Tenant's Right of Common, 230.
Timber, Lord's and Tenant's rights in, 229, 234.
—— Tenant's allowance for repairs, 234.
—— —— obstructive powers, 235.
Valuation of, 74, 247, 260.
Value of, compared with value of Freehold Property, 260.
Covenants and Conditions of Leases, 109.
—— Security for the fulfilment of, 71.
Criterion of Annual Value, 287.
—— of Value, 63.
Customary Freeholds, 224.
Customs of Manors—
General, 226.
Special, 227.

Deferred Interests, 104.
Definitions, 9–19.
Depreciation in Value, how provided against in cases of Mortgage, 360
Derivative Lease, Definition of, 13.
—— —— General Reference to, 107.
Developments and Planning, Effect on Value, 118.
Duties—
Allowance for, in Valuation, 76.
Increment Value, Definition of, 19.
—— —— General Reference to, 163.
—— —— Worked Examples, 165, 183–186.
Mineral Rights, Definition of, 19.
—— —— General Reference to, 163.
Reversion, Calculation of, 167.
—— Definition of, 166.
—— General Reference to, 163.
—— When not Chargeable, 167.
—— Worked Examples, 204–208.
under Finance Act, Apportionments, 202–204.
—— —— Worked Examples, 182–221.
Undeveloped Land, Definition of, 19.
—— —— General Reference to, 163.
—— —— Worked Examples, 208–216.

D

Damage by Severance, 338.
Dates for Preparation and Confirmation of Valuation Lists, Objections and Appeals, 285–287.
Deductions—
Average Annual, General Reference to, 120–123.
—— —— Subject and Amount of, 253–254.
Capital, General Reference to, 65.
—— Subject and Amounts of, 123–131.
—— Suggestions for Examinees, 255.
Deed, Mortgage, 19.

E

Electric Light Works, Assessment of, 321.
Enfranchisable Copyholds, 224, 226.
Enfranchisement—
Consideration, 226.
—— Important points affecting value, 230–232.
—— Information required in calculating, 230.
Cost of, 235–236.
—— By whom borne, 236.
of Copyhold, Steward's Compensation, 385.
—— Worked Examples, 236–247.

Enhanced Value, Fixtures and Machinery, 294–296.
Equitable Mortgage, 19.
Equity of Redemption, 19.
Equivalents, Annual, 73.
Escheat, 19.
—— Lord's right to, 230, 235.
Evidence of Value, 287.
Examination Papers, Hints on expressions commonly used in, 249.
—— —— distinct from practical work, 264.
Examinees, Suggestions to, 255.
Exemptions from Rating—
  Absolute, 274.
  Conditional, 274.
  Partial, 275.
  Personal Property, 269.
Expectation of Life (Mortality), 37.

F

Factors in Value, 92–133.
Fee Farm Rent, 4.
Fee Simple—
  Definition of, 13.
  Interests interminable Estate, 64.
  Leading Considerations, 95.
  Unincumbered, 96.
Fees payable to Board of Agriculture, 386–387.
—— Valuer's, 388.
Finance (1909–1910) Act 1910—
  Apportionment of Increment Value Duty, 198, 201, 204.
  Assessable Site Value—
    Deduction from Total Value, 171–172.
    Defined, 171.
    on occasions for the payment of duty, 173–174.
    under the general provisions of the Act, 171, 179–182, 191, 194, 196, 198, 200.
  Benefit on which Reversion Duty is payable, how Calculated, 166–167, 206, 207, 208.
  Deductions to be made in calculating Reversion Benefit, 166–167.
Finance (1909–1910) Act 1910 (*contd.*)—
  Developed, what is, 209–211.
  Duties imposed by, 163–170.
  Exemptions from Reversion Duty 167.
  —— —— —— Mineral Rights Duty, 218–219.
  —— —— —— Undeveloped Land Duty, 168–169.
  Full Site Value, Calculation of, 178–179, 191.
  —— —— Definition of, 171.
  Gross Value—
    Calculation of, on an occasion for collection of duty, 191, 192, 194, 198, 200.
    Calculation of, under the general provisions of the Act, 176.
    Definition of, 171.
  Increment Value—
    Calculation of (Examples), 182–202.
    Definition of, 164.
    Remissions, 164–165.
    —— Limitations on, 165, 182–187.
  Increment Value Duty—
    Apportionment of, 202, 204.
    Calculation of (Examples), 165, 182–282.
    Definition of, 163–164.
    on Minerals, 170, 218–219.
    Remission of, 164–165, 182–187.
  Land may revert to undeveloped state, 169, 209–210.
  Mineral Rights Duty—
    Defined, 169.
    Exemption, 169, 217–220.
    General reference to, 217–221.
  Minerals—
    Basis of Assessment of Duty on, 169.
    Exempt from Increment Value Duty in certain cases, 169–170.
    —— Reversion Duty, 169.
    —— Undeveloped Land Duty, 169.
  Minor Minerals exempt, 169.
  Occasions on which Increment Value Duty is collected, 166.
  Principal Value, 187.
  Provisional and Occasional Valuations, 170.

Finance (1909–1910) Act 1910 (*contd.*)—
Records to be kept by Commissioners, 170.
Remissions, 164.
—— Examples of, 165, 182–187.
—— Limitation on, 182–187.
Reversion Duty—
Definition of, 166.
Exemptions from, 167.
General reference to, and example, 204–206.
Worked examples in, 206–208.
Total Value—
Definition of, 171.
on occasion for payment of duty, 187, 188, 191, 194.
under the general provisions of the Act, 177, 178.
Undeveloped Land—
Defined, 167, 209–210.
Distinguishing features of, 208.
Exemptions, 211–213.
General reference to, 208–214.
What constitutes, 209–210.
Undeveloped Land Duty—
Assessment of, 169.
Deductions in assessing, 209.
Defined, 167, 208–216.
Exemptions and allowances, 168–169, 209–214.
Purchaser liable for arrears of, 211.
Who liable for, 211.
Valuations—
on occasions for collection of duty —Worked Examples, 182–282.
under the general provision of the Act—Worked Examples, 175–182.
Various, under the Act, 170–171.
Fine—
Arbitrary, Application of Official Scale in Assessment of, 234.
—— Definition of, 17.
—— General Reference to, 227.
Certain, Application of Official Scale in Assessment of, 234.
—— Definition of, 18.
—— General Reference to, 228.
Definition of, 12.
Fire Insurance Premium, Allowance for, 121.
Fines—
Capitalisation of, in Copyhold, 232–234.
for Licence to Lease, 228.
in Perpetuity, Capital Value of, 71.
on Admission to Copyhold Estate, 236.
—— —— —— Worked Examples, 241–242.
Perpetual, 30.
Fixed Charges, 97.
Fixity and Stability of Income, 96.
Fixtures and Machinery—
Assessment of Enhanced Value, 294–296.
Assessments involving — Worked Example, 320.
Flats, Assessment of—Worked Example, 316–320.
—— Cost of maintenance of, 123.
Forfeiture, 235.
Formation of Valuation Tables—
Formulæ for, 425.
General discussion, 41–61.
with the aid of Logarithms, 50–61.
without the aid of Logarithm tables, 42, 50.
Freehold—
Agricultural Accommodation and Building Land, 100.
and Copyhold Property, difference in value of, 74.
Customary, 224.
Fee Simple, 13.
Ground Rents, 100.
Incumbered, 96.
Land with Buildings thereon, 100.
leased at Rents exceeding Rack Rental Value, 99.
Restricted, 97.
Subject to Fixed Charges, 97.
—— to Leases, 98.
—— —— at low rents, 99.
—— —— at Rents exceeding Rack Rental Value, 99.
—— —— giving Lessee right of purchase, 99.
—— to Perpetual Leases, 98.
—— to Restrictions, 97.
under Mortgage, 99.
Various Classes of Property, 100.

"From year to year," interpretation of, 280.
Full Site Value under Finance Act—Examples, 178–179.
Fund for Replacement of Capital (Sinking Fund), 12.
Future Outlay, Responsibility for, 73.

G

Gas Works, Assessment of, 321.
General Valuations under the Finance Act, 171–175.
Gravel Pits, Rating of, 304.
Gross Estimated Rental—
compared with Rent on Yearly Tenancy, 279.
Definition of, 17.
How arrived at, 280.
Gross Rent, Definition of, 14.
Gross Value—
Definitions of, 16, 176.
under the Finance Act—Examples, 176–177.
Ground Rent—
Definition of, 14.
Freehold, 100.
General Reference to, 108.
per foot frontage or per foot super, 259.

H

Half Premium, Table for Converting, into its Annual Equivalent, 398.
Head Leases, 106.
Head Rent, Definition of, 14.
"Held subject to a lease" explained, 252.
Heriot—
Application of Official Scale in Assessment of, 234.
Definition of, 18.
General Reference to, 228.
Points affecting Value, 228.
Housing of the Working Classes Act 1890, 346–349.
Housing, Town Planning, etc., Act, 349.
Hydraulic Power, Allowance for, 123.
Hypothetical Tenant, 287.

I

Ideal Investment, Attributes of, 94.
Improved Annual Value, Definition of, 18.
Improved Rents, Definition of, 14.
Improvements, 70.
Income—
Average Annual, Deductions from, 120–123.
equivalent to Capital invested, 72.
Fixity and Stability of, 96.
Net Annual, 16.
Increment Value Duty—
Apportionment of, 202–204.
Definition of, 163.
Effect on valuation, 76.
Fee Simple passing on death—Examples, 197–201.
General discussion of, 164–166.
on Grant of Lease—Examples, 195–197.
Passing, on Death, of an Interest less than the Fee Simple, 201.
Periodical occasions, 202.
Transfer of an interest less than the Fee Simple—Examples, 193–195.
Transfer on Sale of Freehold—Examples, 182–192.
Incumbered Freeholds, 96.
Information necessary to render valuation possible, 66.
Inhabited House Duty, 122.
Interest—
on Investment, Definition of, 12, 131, 133.
on Loan, Rate of, 359.
on Reinvestment, 12.
—— —— at lower rates than that on Investment, Formation of Table, 49.
Rate of, on Investment, 131–133.
Interminable Estate, Fee Simple Interest, 64.
Investments—
Advances on Mortgage, 359.
and Speculation, 38.
Ideal, attributes of, 94.
Interest on, 12.
Object of, 9.

Investments (*continued*)—
Rates of interest on, 131.
returning no immediate income, 104.
Inwood's Tables—
described, 11.
General Reference to, and examples of application, 23–40.
New arrangement of, 21.
Old form of, 21.

J

Joint Continuance and Longest of Lives, 103.
Joint Tenancy—
Copyhold Estate—Worked Examples, 238, 239, 241.
Definition of, 13.
Joint Tenants, Position of, 223.

L

Land—
Accommodation, Definition of, 14.
—— Freehold, 100.
Agricultural, Definition of, 13.
—— Freehold, 100.
Building, Definition of, 14.
—— Freehold, 100.
Qualities of, 116.
with Buildings thereon, Freehold, 100.
Land Duty—
Undeveloped, 19.
—— Worked Example, 208–216.
Land Tax—
as an Annual Outgoing, 76.
as a Capital Deduction, 76.
expenses of redemption, 131.
Redemption of, 75, 131.
Land Values and Duties, 162, 221 (*see* Finance Act).
Leaseholds—
Definition of, 13.
Leading considerations, 104–106.
Leases—
Covenants and Conditions of, 109.
Derivative, Definition of, 13.
—— General Reference to, 107.
Leases (*continued*)—
for life, Definition of, 13.
Head, 106.
Property held subject to, 252.
Renewal of, 32–35.
—— Formation of Premium Table, 47
Sealing, 112.
Under, 107.
Unstamped, 112.
Legal Mortgage, Definition of, 19.
Legislation—
Effect on Smaller Property, 124.
—— on Values, 119.
Lessee, Effect of Alterations undertaken by, 249.
"Let on Lease," Interpretation of, 249, 250.
"Let on Short Tenancies," interpreted, 251.
"Let on Yearly Tenancy," interpretation of, 251.
Licence to Lease, Fines paid for, 228.
Licensed Premises, Assessment of—Worked Examples, 323–328.
Licenses in Copyhold Property, 229.
Life, Expectation of, 37.
Lifehold Estate, leading considerations, 101–102.
Lifeholds, Market for, 103.
Life Interest and Life Reversion Tables, Application of, 39.
Life Tables, Caution on the use of, 262.
Life Tenancy, Definition of, 13.
Liftman's Wages, Allowance for, 123.
Lighting and Heating Staircases, Allowance for, 123.
Longest of Lives and Joint Continuance of Lives, 103.
Lord's Right to Escheat, 230.

M

Machinery, Assessment of Enhanced Value, 294–296.
Management, Allowance for, 123.
Marginal Notes, Advice to Examinees, 263.
Market, State of Effect on Value, 119.

Maximum Deductions, 283–284.
—— —— from Gross Annual Value, to obtain Rateable Value, 400.
Metropolitan Paving Act 1817 (Michael Angelo Taylor's Act), 342–343.
Mileage System, 300.
Mineral Rights Duty—
Definition of, 19.
General Reference to, 163, 169–170, 217–221.
Mines and Minerals, 229.
Mines, Rating of, 300–304.
Minute of the Board of Agriculture relating to Copyhold Enfranchisement, 371–380.
Monopolies—
Assessment of, 296–298.
—— Worked Examples, 321–323.
Monthly Properties, Official Scale for Assessment of, 392–393.
Mortality, 37.
Mortgage—
Advances on, as an Investment, 359.
Deed, Definition of, 19.
Definition of, 19.
Equitable, Definition of, 19.
Freeholds under, 99.
Interest on Loan, 359.
Legal, Definition of, 19.
Margin, 360.
Principles of Valuation for, 358–365.
Valuation, Leading Considerations, 361–365.
Mortgagee, Definition of, 19.
Mortgagor, Definition of, 19.

N

Net Annual Income—
Deduction from Rental to arrive at, 121.
Definition of, 10.
Net Annual Profit Rental, Years' Purchase of, 47.
Net Annual Value—
Definition of, 17.
for Rating Purposes, how arrived at, 279.
Net Rental Value, 251.
New Properties, Special consideration in valuation of, 111.
Nominal Rent, Definition of, 15.
Notes, Marginal, Advice to Students, 263.

O

Objection—
by Ratepayers, 281.
Dates for, 285–287.
Ratepayer's Right of, 285.
Occupier—
Liability for Rates, Exceptions to the General Rule, 270.
Right to Deduct Rates, 272–273.
Official Scale, Application in Assessment of Enfranchisement Consideration, 234–235.
Official Scale of Compensation relating to Copyhold Enfranchisement, 381–384.
Old Materials, 262.
Old Property, 2, 252.
Origin of Compulsory Rates, 268.
Outgoings, 65, 120-131.
Outlay—
on Property and Premium, distinction of cases, 71.
on Repairs, 69.
Responsibility for future, 73.
Outside the Metropolis, Procedure in Assessment for Rating Purposes, 278.
Over-rented and under-rented properties, 259.
Owners, Rating of—
under the Poor Rate Assessment and Collection Act 1869, 271.
under the Representation of the People Act 1867, 271.

P

Parochial Principle and the Mileage System, 300.
Part only of a building, When promoters desire to purchase, 338.

Partial Exemptions from Rating, 275.
Peppercorn Rent, Definition of, 15.
Percentages on Capital Value to be taken as representing Annual Value, 293.
Perpetual Fines—
  Capital Value of, 71.
  Table, 30.
Perpetual Leases—
  Fines payable at fixed intervals, how valued, 260–261.
  Value of, 30.
Perpetuity—
  after Lives, 104.
  Present Value of, 45, 46.
  Reversion to, 45.
  Table, explained, 27.
Personal Property, Exemption of, 269.
Planning and Development, effect on Value, 118.
Plantation, Assessment of, 304–305.
Points affecting Value, 64.
Poor Law Relief Act, 269.
Porter's Wages, Allowance for, 123.
Premium and Renewal Premium—
  Annual equivalent of, 68.
  Definition of, 12.
  in Examination Papers, 249.
  Table for Converting into its Annual Equivalent, 395.
Preparation of Valuation Lists, 278.
—— —— —— Dates for, 285–287.
Present Value of a Perpetuity, Formation of Table, 45.
Present Value—
  of £1, Application of Inwood's Tables, 22.
  —— Formation of Table, 43.
  of £1 per annum, Application of Inwood's Tables, 22.
  —— —— Formation of Table, 43.
  of the Perpetuity of One Year's Rent, Formation of Table, 46.
Price of Consols, and State of the Property Market, 119.
Procedure—
  in Rating, 277–306.
  outside the Metropolis, 278.
  within the Metropolis, 281–306.
Professional Examinations, Subjects required for, 7.
Professional Fees, 444.
Profits, Assessments on Basis of, 296–298.
Property—
  already leased at a reserved rent, 71.
  Condition of, 110.
  Freehold, various classes of, 100.
  Let on short tenancies, 251.
  Manner in which it lets, 117.
  market, state of, effect on Value, 119.
  Monthly, Table for Assessment of, 392–393.
  Nature of, 113.
  New, 111.
  Old, 2, 252.
  Smaller class, special considerations in valuation of, 124–130.
  subject to Leases at Rentals below or above full Rental Value, 259.
  suitable as security for a Loan on Mortgage, 365.
  taken over in a dilapidated condition, 249.
  that will let on lease at stated rentals, 252.
  Various classes of Freehold, 100.
  Weekly, Table for Assessment of, 392–393.
Prospective Value, 17.
Provisional Valuations, Examples, 175–182.
Public Health Acts, 349.
Public Houses, Assessment of, 323–328.
Purchase from Owners under Disability, 341–342.

Q

Qualities of Land, 116.
Questions for Self-education, 366–370.
Quit Rent—
  Application of Official Scale in Assessment of, 234.
  Definition of, 18.
  General Reference to, 229.

R

Rack Rent, Definition of, 15.
Railways, Assessment of, 296–298.
Rateable Value—
  calculating from Gross Value plus Rates, 298.
  —— from Rateable Value plus Rates, 299.
  Definition of, 17.
  How calculated, 283.
  Official Scale for calculating from Gross Annual Value, 400.
Ratepayer—
  Objection by, to valuation list, 281.
  Right of Objection to valuation list, 285.
Rates—
  Basis on which calculated, 283.
  Measure of Liability for, 268.
  Occupier's Right to Deduct, 272–273.
  Value on which calculated, 279.
  When payable, and who liable, 270.
Rates of Interest on Investment, 131.
Rating—
  Absolute exemptions from, 274.
  Advertising Stations (Rating) Act 1889, 269.
  Assessments, 265–328.
  Authority, 268.
  Brief Introduction, 267.
  Cemeteries, 304.
  Conditional Exemption from, 274.
  Confirmation of Valuation Lists, 278, 285.
  Correction of Valuation Lists, 278, 285.
  General Test of Rateability, 270.
  History of, 276–277.
  Land used for Plantation or for Saleable Underwood, 304–305.
  Mines, 300–304.
  Owners under the Representation of the People Act 1867, 271.
  Partial Exemption from, 275.
  Poor Law Relief Act, 268.
  Poor Rate Assessment and Collection Act 1869, 270.
  Preparation of Valuation Lists, 278, 285.
Rating (*continued*)—
  Private Improvement Rates, 272.
  Procedure in, 277–306.
  —— —— outside the Metropolis, 278.
  —— —— within the Metropolis, 282, 287.
  Public Health Act 1875, 272.
  Purposes, Annual Value for, 75.
  Rating Act 1874, 269.
  Sporting Rights, 305–306.
Redemption—
  Equity of, 19.
  Land Tax, 75–76, 131.
  Tithe Rent Charge, 75, 131.
Regulations made under the Housing and Town Planning Act, 127–130.
Reinvestment, Interest on, 3.
Reliefs—
  Definition of, 18.
  Enfranchisement of Copyhold, Application of Official Scale in Assessment of, 234.
Renewal of Leases—
  Formation of Premium Table, 47.
  Use of the Table, 32.
Renewal Premium—
  Definition of, 12.
  General discussion of, 68.
  in Examination Papers, 249.
Rent—
  Charge, Definition of, 15.
  —— Tithe, Redemption of, 75.
  Charges, 101.
  exceeding Rack Rental Value, Freeholds leased at, 99.
  Fee Farm, Definition of, 14.
  Freehold Ground, 100.
  Gross, Definition of, 14.
  Ground, Definition of, 14.
  Head, Definition of, 14.
  Improved, Definition of, 14.
  Nominal, Definition of, 15.
  on Yearly Tenancy and Gross Estimated Rental compared, 279.
  Paid and Rental Value, 280, 288.
  Peppercorn, Definition of, 18.
  Quit, Definition of, 18.
  —— Finding Capital Value from, 234.

Rent (*continued*)—
Rack, Definition of, 15.
Reserved, Definition of, 15.
Sec, Definition of, 15.
Service, Definition of, 15.
Sitting, Definition of, 15.
Rental—
Gross Estimated, Definition of, 17.
Value, 201.
—— and Rent Paid, 288.
Repairs—
Allowance for Cost of, 121.
Liability for, 230.
Outlay on, 69.
Replacement of Capital—
Formation of Sinking Fund Table, 48.
Sinking Fund, Definition of, 12.
Representation, Cost of, 339.
Representation of the People Act 1867, 271.
Reserved Rent, Definition of, 15.
Resolutions of the Assessment and Valuation Conference, 1914, 390–407.
Resolutions of the London Rating Authorities, 306.
Responsibility for Future Outlay, 73.
Restricted Freeholds, 97.
Reversionary Estate—
Definition of, 13.
in Fee, Definition of, 13.
Reversion Duty—
Calculation of, 167.
Definition of, 166.
General Reference to, 163.
When not chargeable, 167.
Worked Examples, 204–206.
Reversions—
after an Estate for the Longest of Two or More or the Joint Continuance of Lives, 103.
to a Perpetuity after a Life or Lives, 104.
—— —— Uses of Table, 29, 45.
Right of Objection to Valuation List by Ratepayer, 285.
Rights of Common, 230.
Roads and Road Charges, 97, 138.
Rules, Adjustment of, to meet circumstances, 94.

S

Safeguard to Accuracy, 77.
Saleable Underwood, Rating of Land used for, 304–305.
Schedule for Recording Dealings in Compensation Cases, 357.
Sealing, 112.
Security for the Fulfilment of Covenants, 71.
Selling Price—
not necessarily a Criterion of Value, 63.
Special Circumstances affecting, 119.
Severance, Damage done by, 338.
Short Tenancies, Property let on, 251.
Single Life Interest and Life Reversion Tables, Application of, 39.
Single Payment Tables, Use of, 39.
Sinking Fund—
Application of Tables to, 36.
Definition of, 12.
Explanation of, 64.
Formation of Table, 48.
Sitting Rent—
and Annual Equivalent, 73.
Definition of, 15.
Small Properties—
Effect of Regulations on, 124.
Rating of Owners in respect of, 271.
Solutions to Questions, 434–443.
Special Cases, Annual Value, how found, 290–291.
Special Circumstances affecting Selling Price, 119.
Special Customs and Circumstances, Copyhold Estate, 235.
Special Customs of Manors, 227.
Speculation, 38.
Sporting Rights, Assessment of, 305–306.
Staircases, Allowance for Lighting and Heating, 123.
Stamping Leases, 112.
Standard of Value, 94.
Statutory Rules and Orders made under the Finance Act, 408–424.
Statutory Taxes and Duties, 97.

Steward's Compensation in Enfranchisement of Copyhold, 385.
Subjects required for Professional Examinations, 7.
Suggestions to Examinees, 255.
Suitable property as a security for a loan on Mortgage, Characteristics of, 365.
Supplemental Valuation List, 281.
Surveying, bearing of various branches, on Valuation, 1–8.

T

Tables—
  Assessment of Weekly and Monthly Properties, 392–393.
  Compound Interest—Amount of £1, Amount of £1 per annum, 425–433.
  Converting Capital Outlay into its Annual Equivalent, 395.
  Half Premium into its Annual Equivalent, 398.
  Inwood's, Application of, 11, 20–40.
  Maximum Deductions from Gross Annual Value to obtain Rateable Value, 400.
  —— —— Valuation (Metropolis) Act 1869, 389.
  Valuation, Formation of, from Compound Interest Tables, 41–50.
  —— —— with Logarithms, 50–61.
Taxes and Duties, Statutory, 97.
Technical Terms, Definition of, 9–19.
Tenancy, Joint, Definition of, 13.
—— for Life, Definition of, 13.
—— in Common, Definition of, 13.
Tenant's Right of Common, 230.
Tenant's Share (Assessments for Rating purposes on Basis of Profits), 298.
Tenants in Common—
  Admission Fines—Example, 242.
  Enfranchisement of Copyholds held by, 239, 240, 242, 243.
Tenure and Incidents which affect Value, 95.
—— Varieties of, 2.
Term after a Term, Years' Purchase, Formation of Table, 47.
Term, Unexpired—
  Calculating, 263
  Importance of, 108.
Terminable Estate, 64.
Timber, 229.
Tithe, 131.
Tithe Rent Charge, Redemption of, 75.
Title, 101.
Total Value under Finance Act—Examples, 177–178.
Transfer of Copyhold Property, 224.

U

Underlease, Definition of, 13.
Underleases, 107.
Under-rented Properties, 259.
Undeveloped Land Duty—
  Allowance for, 123.
  Definition of, 167.
  Exemptions and Allowances from, 168.
  General Discussion on, 163.
  How Assessed, 169.
  Treatment of, in valuation, 76.
  Worked Examples, 208–216.
Unexpired Term—
  Calculating, 263.
  Importance of, 108.
Unincumbered Fee Simple, 96.
Unstamped Leases, 112.

V

Valuation—
  Buildings, 293–294.
  Copyhold Estate, 249.
  General Introduction to, 62–91.
  Information necessary for, 66.
  Mortgage, 358–365.
  Principles of, for Mortgage, 360.
  Purposes for which and Party for whom made, 256.

Valuation (*continued*)—
Tables, Use of, 20–40.
under the Finance Act, 170–171.
under the Valuation (Metropolis) Act 1869, 285.
Worked Examples, 23–40, 78–91, 134–159.
Valuation Lists—
Composition of, 278.
Correction of, 278.
Form of, 406–407.
Preparation of, 278.
Supplemental, 281.
Whom prepared by, 280–283.
Valuation Tables—
Application of, 20–40.
Do not value, 23.
Formation of, 41–61.
Value—
Basis of, 257–259.
Buildings, as distinct from cost of erection, 293.
Conditions affecting, 112.
Depreciation of, in Mortgages, how provided against, 260.
Evidence of, 287.
from the Investment point of view, 63.
Gross, Definition of, 16.
Improved Annual, Definition of, 18.
Net Annual, Definition of, 17.
on which Rates are calculated, 279.
Prospective, Definition of, 17.
Rateable, Definition of, 17.
Standard of, 94.
Tenure, and incidents which affect, 95.
under the Finance Act, 170–171.
Valuer—
Fees, Copyhold Enfranchisement, 388.
—— Ryde's Scale, 444.
—— Surveyor's Institution Scale, 444.
Matters within his province, 67.
Particulars useful to, 291–292.
Points on which he should be satisfied, 63.
Values and Duties under the Finance Act, 162–221.

W

W.C. Accommodation, Byelaws as to, 130.
Water Supply, Enactment as to, 130.
Water-works, Assessment of, 321.
Weekly Properties, Scale as to the Assessment of, 392–393.
"Will let on lease" explained, 252.
Worked Examples—
Application of Valuation Tables—
Dual interest table, 36–37.
Perpetual fines, 30–31.
Renewal of leases, 32–35.
Reversion to perpetuity, 29–30.
Sinking fund, 36.
The amount of £1, 23–24.
—— —— £1 per annum, 25–26.
The present value of £1, 24–25.
—— —— —— in perpetuity, 27–28.
—— —— £1 per annum (years' purchase), 26–27.
Assessments for Rating Purposes—
Advertising stations, 315–316.
Contractor's theory, 314–315.
Flats, 316–320.
Fixtures and machinery, 320.
Licensed premises, 323–328.
Premises occupied by owner, 315.
Property leased at low rentals, 312–313.
Property let on lease, 311–313.
—— —— Three years' agreement, 311.
—— —— Weekly tenancies, 307–310.
—— —— Yearly tenancies, 310.
Rateable Value, Calculation of, from rateable plus rates and gross plus rates, 298, 299, 327.
Copyhold Enfranchisement—
Coparceners, 240–243.
Joint tenants, 238.
Single tenants, 236, 237, 244–247.
Tenants in common, 239, 242–243.
Copyhold Estate—
Admission fines, Coparceners, 242.
—— —— Joint tenants, 241.
—— —— Tenants in common, 242.

Worked Examples (*continued*)—
Formation of Tables—
With the aid of Logarithms—
Amount of £1, 50–51.
—— £1 per annum, 53–56.
Dual interest table, 58–61.
Present value of £1, 52–53.
—— —— £1 per annum, 56–58.
Without the aid of Logarithms—
Dual interest table, 49–50.
Present value of a perpetuity of £1 per annum, 45.
—— —— a year's rent, 46–47.
—— —— £1, 43.
—— —— £1 per annum for a term after a term (years' purchase), 47.
—— —— £1 per annum for a term (years' purchase), 43–44.
Renewal of leases premium table, 47–48.
Reversion to a perpetuity, 45–46.
Sinking fund table, 48–49.
General Valuations—
Accommodation Land, 136–137.
Agricultural Land, 135–136.
Alternative terms for letting, 146–147.
Building Estate, 144–146.
Compulsory Purchase or Compensation, 350–355.
Copyhold Property, 89–90.
Fines in Perpetuity, 140.
Freehold Ground Rent, 78, 79, 135.
—— House property, 81–85, 137.
—— Interest after lives, 138–139.
—— Subject to payment of an annuity, 139.
Land in a transitory state, 87–88, 143–144, 147, 149.
Leasehold house property, 80, 85–86, 141, 142, 147–150.
—— Interest after lives, 138.
Life Interest, 139.
Perpetual lease, 140.
Premiums for commutation of rent, 149–156.
Worked Examples (*continued*)—
General Valuations (*continued*)—
Reduction in rent equivalent to capital outlay, 161.
Renewal premiums, 148, 156–160.
Rental return on Capital, 150–151, 155–156.
Reversion to freehold after lives, 88–89.
Reversionary interest after life, 140.
Schedule for recording dealings in compensation cases, 357.
Sitting Rents, 151–155.
Unexpired term, Calculation of, 263, 353.
Land Duties (Finance Act)—
Apportionment of Increment Value Duty, 203–204.
Increment Value Duty, 165, 182–187, 190–202.
Reversion Duty, 206–208.
Undeveloped Land Duty, 214–216.
Land Values—
Assessable Site Value—
on occasion for Collection of Duty, 190–201.
under general provisions, 179–181.
Full Site Value, 178–179, 191–200.
Gross Value, 176–194, 198–200.
Total Value, 177–178, 191–200.

Y

Yearly Tenancy, Let on, 251.
—— —— Rent on, and Gross Estimated Rental compared, 279.
Years' Purchase—
Definition of, 11.
for an Annuity to be enjoyed for a Term after a Term, Formation of Table, 47.
Points governing, 64.
Renewal of Leases, Formation of Premium Table, 47.

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